


WESPAC PETROLEUMS LIMITED

FILE COPY - DO NOT REMOVE

ANNUAL REPORT · 1971

NOTICE OF ANNUAL AND
SPECIAL GENERAL MEETING
OF SHAREHOLDERS

INFORMATION CIRCULAR



Digitized by the Internet Archive
in 2024 with funding from
University of Alberta Library

https://archive.org/details/Wesp2299_0000

TABLE OF CONTENTS

	<u>Page</u>
Directors, Officers, etc.	1
Notice of Annual and Special General Meeting	2
President's Report	4
Information Circular	6
Matters to be Acted Upon :	
(i) Amendments to General By-Laws	6
(ii) Ratification of Agreement and Plan of Reorganization	6
(iii) Amendment of Articles to Effect Change in Share Capital	9
(iv) Amendment of Articles to Effect Change of Name	10
(v) Increase in Board of Directors and Establishment of Executive Committee	10
(vi) Incentive Stock Option Plan	10
Exhibits:	
"I" Agreement and Plan of Reorganization	14
Schedule "A" - Schedule of Partners' Properties and Consolidated Shares of Wespac to be Issued Therefor	23
Schedule "B" - Yukon Geothermal Co. Ltd. Financial Statements	27
Schedule "C" - Wespac Petroleums Limited Financial Statements	31
"II" Evaluation of P&NG Permits of Yukon Geothermal Co. Ltd. in the Canadian Arctic Islands (as of December 31st, 1970) - J.C. Sproule and Associates Ltd., dated January 11th, 1971 and Supplemental Report dated June 30th, 1971	37
"III" Evaluation of Certain Yukon Geothermal Co. Ltd. P&NG Properties in Alberta, British Columbia, Yukon Territory and Northwest Territories - Gallup Exploration and Services Ltd., dated May 26th, 1971	40
"IV" Evaluation of Yukon Geothermal Co. Ltd. Alaska Acreage - Gallup Exploration and Services Ltd., dated May 26th, 1971	44
"V" Evaluation of P&NG Interests of Yukon Geothermal Co. Ltd. in Tunisia - J.C. Sproule and Associates Ltd., dated January 18th, 1971	46
"VI" Evaluation - Appraisal Summary - Oil Reserves and Prospective Land Holdings Owned by Wespac Petroleums Limited - June 1, 1971 - James A. Lewis Engineering Co. Ltd., dated June 7, 1971	48
"VII" Pro-Forma Combined Balance Sheet - Unaudited - Yukon Geothermal Co. Ltd. and Wespac Petroleums Limited	52
"VIII" Special By-Law Number 71	54
"IX" Special By-Law Number 72	54
"X" Incentive Stock Option Plan	55
"XI" Summary of Oil and Gas Interests	57
"XII" Map showing location of Yukon Properties	58

WESPAC PETROLEUMS LIMITED

DIRECTORS

Frank F. Gray, Calgary, Alta.
F.W. Pooley, Toronto, Ont.
John E. Prothro, Q.C., Calgary, Alta.
William P. McLaws, Calgary, Alta.
C. Ralph Hoar, Calgary, Alta.

OFFICERS

Frank F. Gray	President
F.W. Pooley	Vice-President, Finance
William P. McLaws	Secretary
C. Ralph Hoar	Treasurer

AUDITORS

Deloitte, Haskins & Sells	Calgary, Alberta
---------------------------	------------------

COUNSEL

McLaws & Company	Calgary, Alberta
Day, Wilson, Campbell	Toronto, Ontario

BANKERS

The Royal Bank of Canada
Canadian Imperial Bank of Commerce

REGISTRAR AND TRANSFER AGENTS

Guaranty Trust Company of Canada	Toronto, Ontario
----------------------------------	------------------

LISTING

Toronto Stock Exchange

HEAD OFFICE

Rm. 607 - 80 Richmond St. W.	Toronto 110, Ontario
------------------------------	----------------------

EXECUTIVE OFFICE

512 - 8th Ave. S.W.	Calgary 2, Alberta
---------------------	--------------------

MAILING ADDRESS

Box 6240 - Station 'D'	Calgary 2, Alberta
------------------------	--------------------

WESPAC PETROLEUMS LIMITED

NOTICE OF THE ANNUAL AND A SPECIAL GENERAL MEETING

OF SHAREHOLDERS TO BE HELD ON AUGUST 12th, 1971.

NOTICE is hereby given that the Annual and a Special General Meeting of the Shareholders of Wespac Petroleum Limited (the "Corporation") will be held in the Saskatchewan Room of the Royal York Hotel, Toronto, Ontario at the hour of 10:00 A.M., Toronto Time, on August 12th, 1971, for the following purposes:

1. To receive and consider the Annual Report of the Directors to the Shareholders and the Comparative Financial Statements for the year ended March 31, 1971 together with the report of the Auditors thereon;
2. To elect Directors;
3. To appoint Auditors and to authorize the Directors to fix their remuneration;
4. To consider and, if deemed advisable, to confirm and adopt, with or without variation, By-Law No. 70 of the by-laws of the Corporation, being a by-law replacing the existing General By-Laws Nos. 1 to 63, of the Corporation.
5. To consider and, if deemed advisable, to approve, confirm and adopt an Agreement (a copy of which is enclosed herewith), entered into between the Corporation and all of the Shareholders of Yukon Geothermal Co. Ltd. ("Yukon") and certain individuals referred to therein (the "Partners") involving:
 - (a) the transfer to the Corporation of all of the outstanding shares of Yukon in consideration of the allotment and issuance by the Corporation to the shareholders of Yukon of 2,515,099 consolidated shares without par value of the authorized share capital of the Corporation; and
 - (b) the purchase by the Corporation from the Partners of certain petroleum and natural gas interests in consideration of the allotment and issuance of 708,494 consolidated shares without par value of the authorized share capital of the Corporation.
6. To consider and, if thought advisable, to pass with or without variation the following Special Resolutions:
 - A. BE IT RESOLVED, as a Special Resolution, that the corporation be and is hereby authorized to amend its Articles to:
 - (a) Decrease the authorized capital of the Corporation by the pro rata cancellation of 2,140,000 of the issued shares of the corporation without par value;
 - (b) Consolidate the 2,325,000 unissued shares of the Corporation without par value into 465,000 shares without par value on the basis of 1 share without par value for each 5 unissued shares without par value ranking on a parity with the remaining 535,000 issued shares of the Corporation without par value; and
 - (c) Increase the authorized capital of the Corporation by creating an additional 7,000,000 shares without par value ranking on a parity with the 535,000 issued and the 465,000 unissued shares without par value resulting from the decrease and consolidation; provided that the 8,000,000 shares without par value shall not be issued for a consideration exceeding in amount or value the sum of \$8,000,000 or such greater amount as the Board of Directors of the Corporation by effective resolution determines;

Provided that where such procedure results in leaving a fraction of a share in the name of a Shareholder, such Shareholder shall be entitled to a fractional share certificate, and the Corporation shall undertake to purchase such fractional share in cash based on the value of \$1.16 per share.

 - B. BE IT RESOLVED, as a Special Resolution, that the Corporation be and is hereby authorized to amend its Articles to change the name of the Corporation to Canada Geothermal Oil Ltd., or such variation thereof as may be acceptable.
7. To consider and, if deemed advisable, to confirm, with or without variation, Special By-Law No. 71 of the By-Laws of the Corporation, being a By-Law increasing the size of the Board of Directors of the Corporation (a copy of which is enclosed herewith).

8. To consider and, if deemed advisable, to confirm, with or without variation, Special By-Law No. 72 of the By-Laws of the Corporation being a By-Law establishing an Executive Committee of the Directors of the Corporation (a copy of which is enclosed herewith).
9. To consider and, if deemed advisable, to approve, confirm and adopt an Incentive Stock Option Plan (the "1971 Stock Option Plan", a copy of which is enclosed herewith) for the benefit of officers and other personnel of the Corporation.
10. To transact such other business as may properly be brought before the meeting and any adjournments thereof.

DATED at Calgary, Alberta this 29th day of June, 1971.

By Order of the Board of Directors

WILLIAM P. McLAWS

Secretary

IMPORTANT

It is desirable that as many shares as possible be represented at the meeting, If you do not expect to attend, and would like your shares represented, please complete the enclosed Instrument of Proxy and return it as soon as possible in the envelope provided for that purpose.

PRESIDENT'S REPORT

Calgary, Alberta
June 29th, 1971.

TO THE SHAREHOLDERS:

It is with the deepest regret that we announce the death, on April 29, 1971, of our President, Frank S. Magdich. Mr. Magdich was in Paris, France on your Company's business when fatally struck by an automobile.

Mr. Magdich had made great progress in advancing the affairs of the Company.

He was admired and respected by all who came in contact with him and he is sorely missed by his family and associates.

In April, 1970, new management assumed control of your Company. The unfortunate state of the Company's affairs at that time was such that, without an infusion of experienced management, new properties and new capital, the ability of your Company to survive was doubtful.

Your management believes that the maximum exploration potential for junior oil and gas companies lies in the Canadian North, Alaska and certain foreign areas. An opportunity to acquire interests in these areas is available to your Company through acquisition of a private Calgary-based oil and gas exploration company which is well represented in these areas. Therefore, your Company has entered into an agreement whereby, subject to your approval, it will:

- (i) acquire all of the issued and outstanding shares of Yukon Geothermal Co. Ltd. ("Yukon"), a private Canadian company engaged in oil and gas exploration primarily in the Canadian Arctic, Yukon and Northwest Territories, British Columbia, Alberta, Alaska and Tunisia, North Africa; and
- (ii) acquire from certain individuals and companies (the "Partners") certain petroleum and natural gas interests under permits located in the Canadian Arctic and British Columbia in which Yukon also has interests.

The interests to be acquired, and their appraised values as established by independent petroleum experts, are as follows:

	<u>Gross Acres</u>	<u>Net Acres</u>	<u>Appraised Value</u>
Canadian Arctic Islands	3,664,141	1,966,155	\$2,952,086
Yukon & N.W.T.	516,197	470,040	1,164,192
British Columbia	189,384	124,613	482,194
Alberta	2,794	430	16,821
Tunisia, North Africa	<u>5,764,160</u>	<u>263,756</u>	<u>196,991</u>
Total	10,136,676	2,824,994	\$4,812,284
Alaska Royalty	73,489 Acres		<u>1,065,326</u>
Total Appraised Value			\$5,877,610

Yukon is owned and operated by Mr. R.E. Wolf, Exploration Geologist of Calgary, Alberta, who has had a long and successful career in Canadian oil and gas exploration. A substantial portion of Yukon's holdings are in the Canadian Arctic Islands, where exploratory activity has increased steadily during the past year, and seven wells are currently drilling. The Panarctic Fosheim N-27 exploration well, drilling on Ellesmere Island, is located in the northeastern portion of the Sverdrup Basin, where Yukon has substantial interests.

Imperial Oil Ltd. and Panarctic Oils Ltd. recently announced the completion of negotiations for an exploration program to be conducted by Imperial on specific Panarctic acreage blocks in the eastern Arctic Islands. Imperial will conduct seismic work and drill four wells, with options to drill five additional wells. Two of the commitment wells are to be located on Axel Heiberg Island, where Yukon has sizeable acreage holdings.

Of further interest is the recent Ashland Oil Canada Ltd. purchase of a 68,200 acre permit on Axel Heiberg Island for \$650,000, with the vendors retaining a 10% net profits interest.

The proposed acquisition by your Company of Yukon and of the Partners' interests each contemplates and is also conditional upon the consolidation of the shares of Wespac on a basis of one new share for each five Wespac shares presently outstanding. Accordingly, shareholders will be asked at the Annual and Special General Meeting of Shareholders called for August 12, 1971 to pass a Special Resolution which will effect the desired consolidation of Wespac's present shares and increase the authorized capital of the Company to 8,000,000 shares by the creation of additional common shares to rank equally in all respects with the shares of the Company which will be outstanding after the consolidation has been effected.

The consideration payable under the agreement by Wespac for the acquisition of 100% of Yukon's issued shares is 2,515,099 of the consolidated shares of Wespac and for the acquisitions from the Partners is 708,494 of such consolidated shares, when the Special Resolution becomes effective. Details of how this consideration was arrived at are given in the attached Information Circular, under the heading "PARTICULARS OF MATTERS TO BE ACTED UPON", to which you are directed.

Following the reorganization and the acquisition of the outstanding shares of Yukon and of the Partners' interests, the total issued and committed consolidated share capital of Wespac will be 3,843,593 shares. Arrangements have been made for the financing of Wespac through the public sale of up to an additional 1,500,000 new common shares, to net the Company not less than \$1.00 per share, subject to the approval of the Toronto Stock Exchange and the applicable Securities Commissions.

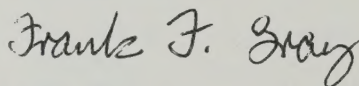
Following the completion of the transactions, your Company will have significant interests in the Canadian North, Alberta, British Columbia, Alaska and Tunisia, and will be properly funded to maintain and develop these interests and carry out additional acquisition and exploration programs.

The approval of the Agreement and Plan of Reorganization by the shareholders is the principal matter to be placed before the shareholders as part of the general "overhaul" of the Company. Shareholders will also be asked to approve By-Law 70, which updates the Company's General By-Laws to conform with the new Ontario Business Corporations Act, 1970; to pass a Special Resolution of the Shareholders which effects a change of the Company's name to a name better reflecting its expanded interests; to ratify Special By-Law No. 71 which increases the Board of Directors from 5 to 7; to ratify Special By-Law No. 72 which establishes an Executive Committee of the Board of Directors; and to pass a Shareholders' Resolution approving an Incentive Stock Option Plan for employees and officers of the Company. Particulars of all of the foregoing are set forth in the attached Information Circular and accompanying reports and data, which also include additional information with respect to both Yukon and Wespac. You are urged to consider this material carefully.

The Annual and Special General Meetings of Wespac's shareholders, which are called to consider all of the foregoing matters, will be held in the Saskatchewan Room of the Royal York Hotel, Toronto, Ontario, on August 12, 1971, at 10:00 A.M. Toronto Time. Your attendance and participation at the meeting is invited.

AS A SUBSTANTIAL REPRESENTATION BY SHAREHOLDERS IS SOUGHT, IF YOU ARE UNABLE TO ATTEND THE SHAREHOLDERS' MEETINGS, YOUR DIRECTORS URGE YOU TO CONSIDER THE FOREGOING PROPOSALS CAREFULLY AND AFTER SO DOING TO COMPLETE THE ENCLOSED INSTRUMENT OF PROXY AS YOU SEE FIT AND MAIL THE SAME IN THE RETURN ENVELOPE PROVIDED FOR THAT PURPOSE.

Yours sincerely,



Frank F. Gray,
President.

WESPAC PETROLEUMS LIMITED

ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Wespac Petroleum Limited (hereinafter called "Wespac") for use at the Annual and Special General Meeting of the Shareholders of Wespac to be held in the Saskatchewan Room, Royal York Hotel, Front Street West, Toronto, Ontario, on the 12th day of August, 1971, for the purposes set forth in the Notice of Meeting. It is expected that such solicitation will be primarily by mail. Proxies may also be solicited personally at nominal cost by Officers and Directors of Wespac. The cost of solicitation by or on behalf of the management will be borne by Wespac.

REVOCABILITY OF PROXY

A shareholder who has given an Instrument of Proxy may revoke it either (a) by signing an Instrument of Proxy bearing a later date and depositing it with Guaranty Trust Company of Canada at 88 University Avenue, Toronto, Ontario not less than twenty-four hours before the time for holding of the Annual and Special General Meeting, or (b) by instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a corporation, under its common seal or by an officer or attorney thereof duly authorized and deposited either at the Head Office of Wespac, 80 Richmond St. W., Toronto 110, Ontario, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the Instrument of Proxy is to be used, or with the Chairman of such Meeting on the day of the Meeting, or adjournment thereof; and upon either of such deposits the prior Instrument of Proxy is revoked, or (c) by attending the Meeting or any adjournment thereof in person and registering with the Scrutineer thereat as a Shareholder present in person, whereupon such Instrument of Proxy shall be deemed to have been revoked, but only as to matters which have not already been dealt with at the Meeting.

MATTERS TO BE ACTED UPON

(i) AMENDMENTS TO GENERAL BY-LAWS:

The Business Corporations Act, 1970 of the Province of Ontario (the "Act") became effective on January 1, 1971, which Act applies to Wespac. As a result of this enactment, the General By-Laws of Wespac, which were enacted in 1944 and have not since been significantly revised, were reviewed. The Company's Ontario solicitors have recommended that, rather than attempt piece-meal amendments, the General By-Laws be repealed in toto and that an up-to-date complete General By-Law be enacted. Accordingly, By-Law No. 70 was enacted by the Directors on May 31, 1971 repealing By-Laws Nos. 1 to 63 inclusive (the old General By-Laws) and enacting the 61 sections of the new General By-Law No. 70. Copies of this proposed General By-Law No. 70 are available to any interested shareholder upon written request to the Company at its Head Office, 80 Richmond St. West, Toronto 110, Ontario, or its Executive Office, 512 - 8th Ave. S.W., Calgary 2, Alberta; copies of the proposed General By-Law No. 70 are also available for examination at either of such addresses during normal business hours, and copies will be available at the Meeting. By-Law No. 70, if not confirmed by a majority of the votes cast at the forthcoming Meeting of Shareholders, will cease to have any effect.

(ii) RATIFICATION OF AGREEMENT AND PLAN OF REORGANIZATION:

The Directors of Wespac are recommending to the Shareholders a proposal to combine the operations of Wespac with those of Yukon Geothermal Co. Ltd., a corporation organized under the Laws of Canada, ("Yukon"), in accordance with the terms of an Agreement and Plan of Reorganization (the "Agreement") dated May 31, 1971, between Wespac, Yukon, R. E. Wolf ("Wolf"), The Wolverine Foundation ("Wolverine"), a charitable organization controlled by Wolf, and certain individuals and corporations named therein (the "Partners"). The Agreement, together with its Schedules "A", "B", and "C", is reproduced as Exhibit "I" hereto and reference is hereby made thereto for further particulars. The Agreement contemplates (a) the transfer to Wespac of all of the outstanding shares of Yukon in consideration of the allotment and issuance by Wespac to Wolf and Wolverine of 2,515,099 consolidated shares without par value; and (b) the purchase by Wespac from the Partners of certain petroleum and natural gas interests in consideration of the allotment and issuance of 708,494 consolidated shares without par value of Wespac. Reference is made to Section (iii) hereof following, under the sub-heading "Amendment of Articles to Effect Change in Share Capital", for details of the proposed share consolidation.

Upon completion of the reorganization and acquisitions, the business and properties of Yukon will then be operated by Wespac as a wholly-owned subsidiary.

Basic to the transactions are the assets and properties of Yukon and the Partners, who collectively own Working Interests in undeveloped petroleum and natural gas properties totalling 10,136,676 gross acres, or 2,824,994 net acres, and Gross Overriding Royalty Interests in 73,489 acres. These properties are located in the Canadian Arctic Islands, the Yukon Territory and the Northwest Territories of Canada, the Provinces of

British Columbia and Alberta, the State of Alaska, U.S.A., and the Republic of Tunisia, and are more fully described in the following table:

<u>General Location</u>	<u>Yukon and Partners</u>		<u>Appraised Value</u>		
	<u>Gross Acres</u>	<u>Net Acres</u>	<u>Yukon</u>	<u>Partners</u>	<u>Total</u>
Canadian Arctic Islands (1)	3,664,141	1,966,155	\$2,471,560	\$ 480,526	\$2,952,086
Yukon Territory and Northwest Territories	516,197	470,040	557,515	606,677	1,164,192
British Columbia	189,384	124,613	478,095	4,099	482,194
Alberta	2,794	430	16,821	-0-	16,821
Tunisia, North Africa	<u>5,764,160</u>	<u>263,756</u>	<u>196,991</u>	<u>-0-</u>	<u>196,991</u>
	10,136,676	2,824,994	\$3,720,982	\$1,091,302	\$4,812,284
Alaska Royalty (2)		73,489 Acres	<u>\$1,065,326</u>	<u>-0-</u>	<u>1,065,326</u>
Total Appraised Value			<u>\$4,786,308</u>	<u>\$1,091,302</u>	<u>\$5,877,610</u>

- Notes: (1) Acreage reduced 137,751 gross acres or 34,438 net acres to reflect termination of Permits A5104, A5106, A5107, A5108, A5110, included in the J.C. Sproule and Associates' evaluation report of January 11, 1971, Exhibit "II", referred to below.
- (2) The Alaskan interests of Yukon which comprise royalty interests varying from 0.10% to 0.90% and average 0.50% on 73,489 acres, are held by its wholly-owned Alaskan subsidiary, Alaska Geothermal Oil Co. Inc.

Generally Yukon, alone or with partners, acquires exploratory rights in prospective oil, gas and other mineral properties and conducts exploration programs thereon, including seismic and geophysical evaluations and exploratory drilling where appropriate. After completing the geophysical evaluation of a property, if drilling is contemplated, a decision is made either to drill a well or to interest others in assuming the major work commitment in return for an interest in the property. Although these arrangements will vary, Yukon will usually retain a royalty, or a carried or working interest in the property.

Reference is made to the following consultants' reports attached hereto for further particulars with respect to the properties of Yukon:

- Canadian Arctic Islands Permits: Report of J.C. Sproule and Associates Ltd., January 11, 1971 and Supplemental Report dated June 30, 1971; Exhibit "II".
- Alberta, British Columbia, Northwest Territories and Yukon Territories; Report of Gallup Exploration & Services Ltd., May 26, 1971; Exhibit "III".
- Alaska Gross Overriding Royalties: Report of Gallup Exploration & Services Ltd., May 26, 1971; Exhibit "IV".
- Tunisian P & NG Interests: Report of J.C. Sproule and Associates Ltd., January 18, 1971; Exhibit "V".

Reference is made to the following consultant's report attached hereto for further particulars with respect to the properties of Wespac:

- Evaluation of Oil and Gas Properties by James A. Lewis Engineering Co. Ltd., June 7, 1971; Exhibit "VI".

(a) Basis of Yukon Share Exchange

The approach taken by the Boards of Directors of each of Wespac and Yukon in establishing the basis of the proposed share exchange, was to compare the net worth of each of Wespac and Yukon.

Independent evaluators were requested to assess and report on the properties of each of the two companies, and such reports are attached hereto as Exhibits "II", "III", "IV", "V" and "VI". These

appraisal reports have been filed with the Toronto Stock Exchange and are also available for inspection at the executive offices of Wespac, 512 - Eighth Avenue S.W., Calgary 2, Alberta.

Reference is also made to the financial statements of Yukon and Wespac as of March 31, 1971 in each case, annexed as Schedules "B" and "C" respectively to Exhibit "I" hereto, for other financial information relative to both companies.

On the basis of the foregoing, Net Worth comparisons of Wespac and Yukon are as follows:

<u>Item</u>	<u>Wespac</u>	<u>Yukon</u>
Current assets as per last financial statements	\$ 67,776	\$ 293,818
Less current liabilities plus advances from shareholder, as per last financial statements	<u>61,236</u>	<u>1,206,800</u>
Net Current Assets (Liabilities)	\$ 6,540	\$ (912,982)
Property Values as per Appraisal Reports (Exhibits "II" to "VI") ⁽¹⁾	<u>\$245,000</u>	<u>\$4,786,308</u>
Discounted Appraised Property Values ⁽²⁾	245,000	3,829,047
Other Long-Term Assets	9,267	1,450
Less Commitment to Issue Shares as per last Financial Statements ⁽³⁾	<u>-0-</u>	<u>-0-</u>
Net Long-Term Assets	<u>254,267</u>	<u>3,830,497</u>
Net Worth	<u>\$260,807</u>	<u>\$2,917,515</u>

- Notes: (1) Canadian Arctic Islands acreage is reduced from that shown in the J.C. Sproule and Associates Ltd. evaluation report, Exhibit "II", to reflect the abandonment of Permits A5104, A5106, A5107, A5108 and A5110.
- (2) In accordance with the Agreement and Plan of Reorganization, a discount of 20% is applied to the Yukon property appraisals for the purpose of establishing the share exchange ratio, while 100% of Appraisal Value is used for Wespac.
- (3) The Wespac Balance Sheet, Schedule "C" to the Agreement and Plan of Reorganization, Exhibit "I" hereto, includes as a liability, an item of \$125,000 for a commitment to issue 500,000 unconsolidated additional shares. For the purpose of the foregoing Net Worth comparisons, this item has been eliminated and the issued share capital of Wespac has been increased by these 500,000 unconsolidated shares, or 100,000 consolidated shares, to a total of 620,000 consolidated shares.

Net Worth per share of Wespac, based on 620,000 shares outstanding after making provision for Wespac shares agreed to be issued, and after giving effect to the proposed consolidation of 5 old shares for 1 new share (for details of which reference is made to the sub-heading (iii) "Amendment of Articles to Effect Change in Share Capital"), is then determined as follows:

$$\text{Net Worth per share (after consolidation at 5 : 1)} = \frac{\text{Net Worth}}{\text{Number of shares outstanding}} = \frac{\$260,807}{620,000} = \$0.42$$

On January 8, 1971, when the Agreement and Plan of Reorganization was approved in principle by the Directors of Yukon and Wespac, it was agreed that the weighted average trading price of shares of Wespac, as reflected in the records of the Toronto Stock Exchange for the period December 8, 1970 to January 7, 1971 would apply to Wespac rather than the Net Worth per Share of \$0.42, calculated as aforesaid. During this period, 29,168 shares were traded through the Toronto Stock Exchange at prices ranging from 20¢ to 26¢ per share, and the weighted average price per share was determined by the Directors of Wespac and Yukon at 23.232¢, or, after the proposed consolidation of the outstanding shares of Wespac on a 5 for 1 basis, \$1.16 per share. This Stock Exchange value, rather than the less favorable Net Worth per Share of \$0.42, will be the basis for the share exchange if approved by the Wespac shareholders at the Meeting.

Accordingly, it is proposed that Wespac will issue to Yukon 2,515,099 new Wespac shares, after

consolidation, for all of the outstanding shares of Yukon, determined as follows:

Appraised Value of Yukon Properties		\$4,786,308
Less 20% discount		<u>957,261</u>
Discounted Value of Yukon Properties		3,829,047
Less: Net Liabilities of Yukon		<u>911,532</u>
Net Value for Share Exchange		<u>\$2,917,515</u>
Number of consolidated Wespac shares at \$1.16 per share	=	$\frac{\$2,917,515}{\$1.16} = 2,515,099 \text{ shares}$
To R.E. Wolf, as owner of 8/12 of Yukon shares		1,676,733
Wolverine Foundation, as owner of 4/12 of Yukon shares		<u>838,366</u> <u>2,515,099</u> shares

For further information relative to the basis of the share exchange, reference is made to the Financial Statements of Yukon and Wespac as at March 31, 1971 in each case, annexed as Schedule "B" and "C" respectively to Exhibit "I". An unaudited Pro-Forma Combined Balance Sheet reflecting the effect of the Agreement and Plan of Reorganization, if implemented, is annexed as Exhibit VII.

(b) Basis of Purchase of Partners' Properties

In acquiring the oil and gas permit interests of Yukon in the Canadian North, Yukon has heretofore frequently financed its position through the participation with others (the "Partners") in the acquisition, holding and development of these interests. This has resulted in Yukon and the Partners now jointly owning many of these interests, and by virtue of its senior position, Yukon has been able to offer to Wespac the interests of the Partners, on the same discounted evaluation basis as was used to arrive at the Yukon share exchange, i.e., Net Appraisal Value discounted by 20%, the same Appraisal basis being used for the Partners' Properties as for Yukon's interests. Reference is made to Schedule "A" to Exhibit "I" for particulars of such Appraisal Value. Similarly the same price per share of the consolidated shares of Wespac, \$1.16 per share, has been used for the proposed purchase of the Partners' Properties.

Accordingly it is proposed that Wespac will issue to the Partners the aggregate of 708,494 consolidated shares of Wespac in exchange for the Partners' Properties, determined as follows:

Gross Value of Partners' Properties		\$1,091,302
Less 20% discount		<u>218,261</u>
Discounted Value of Partners' Properties		873,041
Less payables to Yukon at March 31, 1971		<u>51,188</u>
Net value for share exchange		<u>\$ 821,853</u>
Number of consolidated Wespac shares in exchange for Partners' Properties at \$1.16 per shares	=	$\frac{\$821,853}{\$1.16} = \underline{708,494} \text{ shares}$

The acquisition of Yukon and the Partners' Properties is being submitted to the shareholders of Wespac for their approval because of the size of the transaction and because of the interests of the Directors of Wespac in the transactions. In the event that shareholders' approval is not obtained at the meeting, your management does not intend to proceed with the transactions. Reference is made to the information under the heading "Interest of Management and Others in Material Transactions" in this circular for particulars of the interests of the Directors of Wespac in the transactions.

(iii) AMENDMENT OF ARTICLES TO EFFECT CHANGE IN SHARE CAPITAL:

In order to give effect to (a) the acquisition by Wespac of all of the issued and outstanding shares of Yukon and certain petroleum and natural gas properties from certain individuals (the "Partners"), details of which are set forth in Section (ii) hereof under the sub-heading "Ratification of Agreement and Plan of Reorganization", and (b) the refinancing of Wespac through the offering of further of its authorized and unissued common shares, a Special Resolution of the Shareholders of Wespac is being proposed, which will:

- (a) Consolidate all of the existing 5,000,000 authorized common shares of Wespac, without par value, of which 2,675,000 are issued and outstanding, on a basis of 5 old for 1 new, into 1,000,000 authorized common shares without par value, of which 535,000 will then be issued and outstanding; and then

- (b) Increase the authorized share capital to 8,000,000 common shares without par value by the creation of an additional 7,000,000 shares without par value.

This proposed Special Resolution, which is set forth in detail in the "Notice of Annual and Special General Meeting", Item 6A, will not be effective unless passed by a 2/3rds majority of the votes cast at the forthcoming Special General Meeting of the Shareholders.

Immediately following approval by the Shareholders of the Agreement and Plan of Reorganization, and the amendment to the Articles to effect the change in share structure, Wespac intends to make a public offering of an additional 1,500,000 of its common shares, consolidated as aforesaid, through the facilities of the Toronto Stock Exchange and by means of Underwriter-Agents. In the event that for any reason such offering does not proceed, the management of Wespac reserves the right not to proceed with the proposed reorganization of its share structure if, in the opinion of management, such is necessary in order to preserve the listing of its shares on the Toronto Stock Exchange.

(iv) AMENDMENT OF ARTICLES TO EFFECT CHANGE OF NAME:

Consequent on the reorganization of the business and affairs of Wespac, the Directors considered it advisable to change the Company's name to one more properly reflecting its expanded interests, and a Special Resolution of the Shareholders is being proposed changing its name to Canada Geothermal Oil Ltd. This proposed Special Resolution, which is set forth in detail in the "Notice of Annual and Special General Meeting", Item 6B, will not be effective unless passed by a 2/3rds majority of the votes cast at the forthcoming Special General Meeting of the Shareholders.

(v) INCREASE IN BOARD OF DIRECTORS AND ESTABLISHMENT OF EXECUTIVE COMMITTEE:

The present By-Laws of Wespac provide for only five Directors. It is proposed that the number of positions on the Board of Directors be increased to seven, and that an Executive Committee be established consisting of three appointees of the Board of Directors. Special By-Laws Nos. 71 and 72, copies of which are attached hereto as Exhibits "VIII" and "IX" respectively, will, if approved and confirmed by a 2/3rds majority of the votes cast at the forthcoming Special General Meeting, increase the size of the Board of Directors accordingly and establish the Executive Committee.

(vi) INCENTIVE STOCK OPTION PLAN:

In order to advance the interests of the Company by encouraging and enabling the participating officers and other key personnel upon whose judgment, initiative and efforts the Company is largely dependent for its success, to acquire or increase their proprietary interest in the Company, and thereby provide them with a more direct investment in its welfare and a closer identification of their interests with those of the Company, the Directors have approved a Stock Option Plan, subject to shareholders' approval by a majority of the votes cast at the forthcoming Special General Meeting of the Shareholders. If such approval is not obtained, the Stock Option Plan will not be implemented.

The full text of the Plan is set forth in Exhibit "X" hereto, and reference is hereby made thereto for further particulars.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

R.E. Wolf ("Wolf") is President and beneficial owner of 8 of the 12 outstanding shares of Yukon, and owns all of the outstanding shares of The Wolverine Foundation ("Wolverine"), which owns the remaining 4 outstanding shares of Yukon. Bridgestone Resources Ltd. ("Bridgestone") is a wholly-owned subsidiary of The Wolverine Foundation.

Wolverine owns 753,895 unconsolidated shares in the outstanding share capital of Wespac, or 28.18% thereof, all of which have been pledged as security for the obligation of Yukon to Syracuse Oils Limited referred to in Note 6 to the Yukon Financial Statements, Exhibit "I", Schedule "B" hereto. Wolverine is entitled to receive, over the next approximately 3 years, a further 332,702 unconsolidated shares of Wespac from a previous property transaction.

Bridgestone is a party to the Agreement and Plan of Reorganization by virtue of being one of the "Partners" referred to therein; the cost to Bridgestone of the Partner's Interest to be transferred to Wespac for 418,398 consolidated shares of Wespac pursuant to the Agreement and Plan of Reorganization is the equivalent of 268,000 consolidated shares of Wespac.

Upon completion of the matters referred to herein under the heading "Particulars of Matters to be Acted Upon", Wolf will own or control, either directly or indirectly, (including shares owned by Wolverine and Bridgestone), 2,882,816 consolidated shares without par value of Wespac, or 75.00% thereof, of which 1,023,500 are subject to option as set forth below.

Accordingly, Wolf has a direct interest in the Agreement and Plan of Reorganization, full particulars of which are set forth under the heading "Particulars of Matters to be Acted Upon" in this circular.

John E. Prothro ("Prothro"), William P. McLaws ("McLaws") and C. Ralph Hoar ("Hoar"), each of whom is a Director of Wespac, (Prothro additionally being a Director of each of Yukon and Wolverine, and Hoar additionally being a Director of Yukon), are each parties to the Agreement and Plan of Reorganization by virtue of each being one of the "Partners" referred to therein and as such have each a direct interest in the Agreement and Plan of Reorganization. The cost to each of McLaws and Hoar of the Partner's Interest to be transferred to Wespac for 1,574 and 1,569 consolidated shares of Wespac, respectively, pursuant to the Agreement and Plan of Reorganization was \$260.24 and \$260.24, respectively.

Adolf Henrik Lundin ("Lundin"), who is a proposed Director of Wespac, is the beneficial vendor to Bridgestone of the property interest of Bridgestone set forth in the "Schedule of Partners' Properties", Schedule "A" to the Agreement and Plan of Reorganization, and as such is entitled to receive from Bridgestone 268,000 consolidated shares of Wespac upon completion of the matters referred to herein under the heading "Particulars of Matters to be Acted Upon", and accordingly has a direct interest in the Agreement and Plan of Reorganization. The cost to Lundin of the property interest vended by him to Bridgestone was \$75,000, and the cost to Bridgestone of the same property interest is 268,000 consolidated shares of Wespac.

Wolverine and Bridgestone have jointly optioned to certain persons, one of whom, Lundin, is a proposed Director of Wespac, the aggregate of 1,023,500 consolidated shares of Wespac out of their aggregate joint holdings in Wespac of 1,206,083 consolidated shares at the same price as the price per share of the Fixed Price Offering of additional treasury shares of Wespac proposed to be offered to the public pursuant to and as set forth in the Agreement and Plan of Reorganization.

Upon completion of these matters, and the transactions referred to elsewhere in this Information Circular under the heading "Particulars of Matters to be Acted Upon", such parties will own the following interests in the total 3,843,593 issued and reserved Consolidated share capital of Wespac:

	Number of Consolidated Shares of Wespac			Percentage of Outstanding and Reserved Consolidated Shares of Wespac		
	Presently Held or Receivable (Payable)	To be Acquired Under Agreement and Plan of Reorganization	Available Under (Subject To) Option	Presently Held or Receivable (Payable)	To be Acquired Under Agreement and Plan of Reorganization	Available Under (Subject To) Option
R.E. Wolf	-	1,676,733	-	-	43.63	-
The Wolverine Foundation	217,319	838,366	(873,102)	5.65	21.81	(22.72)
Bridgestone Resources Ltd. (268,000)		150,398	(150,398)	(6.97)	3.91	(3.91)
John E. Prothro	200	31,250	-	.01	.81	-
William P. McLaws	2,000	1,574	-	.05	.04	-
C. Ralph Hoar	1	1,569	-	-	.04	-
Adolf H. Lundin	268,000	-	130,000	6.97	-	3.38

The Agreement and Plan of Reorganization, together with its Schedules "A", "B" and "C", is reproduced as Exhibit "I" hereto, and reference is hereby made thereto for further particulars of all of the foregoing.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only Shareholders of Wespac of record at the time of the Meeting will be entitled to vote at such Meeting. The Shareholders of Wespac are entitled to one vote in respect of each share held at such time. Wespac has only one class of shares of which 2,675,000 are presently issued and outstanding. All Shareholders of record at the time of the Meeting shall be entitled to vote thereat either in person or by proxy.

To the knowledge of the Directors or senior officers of Wespac, the following person beneficially owns directly or indirectly, shares carrying more than 10% of the voting rights attached to all issued shares of Wespac:

The Wolverine Foundation owns 753,895 shares in the outstanding share capital of Wespac, as the same is presently constituted, or 28.18% thereof. Wolverine is controlled by R.E. Wolf.

ELECTION OF DIRECTORS

The proposed General By-Law of Wespac provides that Directors are to be elected annually at each annual meeting of shareholders, and the proposed Special By-Law No. 71 provides for increase in the number of Directors from five to seven, all referred to under the heading "Matters to be Acted Upon" in this circular. Therefore, all seven positions on the Board of Directors will be filled at this Annual and Special General Meeting of Shareholders if the proposed General and Special By-Laws Nos. 70 and 71, respectively, are approved by the shareholders. THE SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED SHALL BE VOTED FOR THE ELECTION OF THE NOMINEES WHOSE NAMES ARE SET FORTH HEREIN. Management does not contemplate that any nominee will be unable or unwilling to serve as a Director, but if for any reason this should occur prior to the Meeting, it

is intended that the persons named in the proxies solicited by management shall reserve the right to vote for another person of their choice in his place and stead.

Frank F. Gray is President of Wespac; Frederick W. Pooley is Vice-President, Finance, of Wespac; William P. McLaws is Secretary of Wespac, and C. Ralph Hoar is Treasurer of Wespac at present.

The following are the seven nominees to serve as Directors until the next annual meeting of shareholders or until their successors are duly elected or appointed:

INFORMATION CONCERNING NOMINEES AS DIRECTORS

<u>Name and Principal Occupation</u>	<u>Period(s) served as a Director</u>	<u>Shares beneficially owned directly or indirectly*</u>
Frank F. Gray, Geologist, Calgary, Alberta. During past 5 years: Petroleum Geologist with Placer Development Ltd.; Vice-President, Del Norte Oil Ltd., Calgary, Alberta.	Since May, 1971	9,000
Frederick W. Pooley, Accountant and Mining Analyst, Weston, Ontario. Holds executive positions with resource companies, including Dominion Explorers Ltd., Toronto, Ontario.	Since May, 1971	--
Bernt R. Honeth, Mining Consultant, Oakville, Ontario. President, Spooner Mines & Oils Ltd., Toronto, Ontario. From 1969 to 1970 was Mining Consultant to the Anglo American - DeBeers Group of South Africa. From 1965 to 1969 was Executive with Johnson Group of Sweden in South Africa.	--	--
Adolf Henrik Lundin, Mining Engineer, Geneva, Switzerland. Director, Centre d'Études Industrielles, Geneva, Switzerland.	--	--
John E. Prothro, Q.C., Barrister and Solicitor and Professional Engineer, Calgary, Alberta. Partner, McLaws & Company, and predecessor firm, Calgary, Alberta.	Since 1970	1,000
Charles Ralph Hoar, Accountant, Calgary, Alberta. Proprietor, Hoar & Forrest, Accountants, Calgary, Alberta.	Since 1970	1
William P. McLaws, Barrister & Solicitor, Calgary, Alberta. Associate of McLaws & Company, Barristers & Solicitors, Calgary, Alberta and predecessor firm to 1970. From 1970 to date, Barrister & Solicitor in private practice in Calgary, Alberta.	Since 1970	10,000

* Note: . The information as to shares beneficially owned, not being within the knowledge of Wespac, has been furnished by the respective nominees individually.

. Of the foregoing nominees, all are presently directors of Wespac except Bernt R. Honeth and Adolf Henrik Lundin.

REMUNERATION OF MANAGEMENT

No direct remuneration was paid to the Directors and senior officers of Wespac as such during Wespac's last completed financial year except as hereinafter stated, and no remuneration will be paid to Officers and Directors as such. During the last completed financial year, \$1,500 was paid to the former management, and a total of \$4,950 was paid or payable for management services to Magdich Enterprises Ltd., Calgary, Alberta, of which a previous Director, Mr. Frank S. Magdich, now deceased, was President.

John E. Prothro, a Director of Wespac during its last fiscal year, is a partner in the law firm of Messrs. McLaws & Company, which firm has received and will continue to receive remuneration for legal services rendered to Wespac in the ordinary course of its business.

APPOINTMENT OF AUDITORS

It is proposed to reappoint the firm of Deloitte, Haskins & Sells, Chartered Accountants, of Calgary, Alberta, as the auditors of Wespac to hold office until the next annual meeting of shareholders. Deloitte, Haskins & Sells, or the predecessor partnership Purdy, Giles & Wyllie, have been auditors of Wespac since 1967.

GENERAL

The management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any matters which are not known should properly come before the Meeting, the accompanying Proxy Instrument will be voted on such matters in accordance with the best judgment of the person voting it. Discretionary authority necessary in such event, and in the event of any amendments or variations of matters identified in the Notice of Meeting, is conferred by any person giving the Proxy to management.

MANNER OF VOTING PROXIES

THE SHARES REPRESENTED BY PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED. IT IS INTENDED THAT THE ACCOMPANYING INSTRUMENT OF PROXY, IF SIGNED, DATED AND RETURNED TO WESPAC PRIOR TO THE MEETING AND COMPLETED IN THE NAMES OF THE PERSONS THEREIN NAMED, WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND IN FAVOUR OF THE APPOINTMENT OF AUDITORS AFORESAID AND FOR THE APPROVAL OF THE AGREEMENT AND PLAN OF REORGANIZATION, THE CHANGE IN SHARE CAPITAL, THE CHANGE OF NAME, THE INCENTIVE STOCK OPTION PLAN, AND BY-LAWS NOS. 70, 71 AND 72, ALL AS SET FORTH ABOVE.

THE INSTRUMENT OF PROXY FORM AFFORDS SHAREHOLDERS RECEIVING THE SAME THE OPPORTUNITY TO SPECIFY A CHOICE WITH RESPECT TO ITEMS 4, 5, 6, 7, 8 AND 9 SET OUT IN THE ACCOMPANYING NOTICE OF MEETING. WHERE THE PERSON OR COMPANY WHOSE PROXY IS SO SOLICITED SPECIFIES A CHOICE WITH RESPECT TO SUCH MATTER, THE SHARES REPRESENTED BY PROXY SHALL (SUBJECT TO SECTION 121 OF THE BUSINESS CORPORATIONS ACT, 1970) BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS SO MADE. WHERE A CHOICE IS NOT SPECIFIED, IT IS THE INTENTION OF MANAGEMENT TO VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE ELECTION OF DIRECTORS AND IN FAVOUR OF THE APPOINTMENT OF AUDITORS AFORESAID AND IN FAVOUR OF THE MATTERS SET OUT IN SAID ITEMS 4, 5, 6, 7, 8 AND 9. DISCRETIONARY AUTHORITY FOR SO DOING IS UNDERSTOOD TO HAVE BEEN CONFERRED UPON MANAGEMENT BY THE PERSON GIVING THE PROXY.

THE PERSONS NAMED IN THE ACCOMPANYING INSTRUMENT OF PROXY ARE OFFICERS OF WESPAC. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY PERSON OTHER THAN THOSE NAMED TO REPRESENT HIM AT THE MEETING. IF SO DOING AND USING THE ACCOMPANYING INSTRUMENT OF PROXY, HE SHOULD STRIKE OUT THE PRINTED NAMES AND INSERT THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED THEREFOR. A SHAREHOLDER MAY SUBMIT ANY OTHER APPROPRIATE INSTRUMENT OF PROXY.

Dated this 29th day of June, 1971.

EXHIBIT "I"

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN dated as of the 31st day of May, 1971.

BETWEEN AND AMONG:

YUKON GEOTHERMAL CO. LTD., a body corporate, incorporated under the laws of Canada, having its Head Office at the City of Calgary in the Province of Alberta, (hereinafter called "Yukon")

OF THE FIRST PART

- and -

TOM BECK, STELLA BRISBIN, SHELDON CHUMIR, LOUIS CZIMBORAY, MARGARET DUNCAN, C. RALPH HOAR, J. CROSBY JOHNSTON, HAROLD C. KALKE, JEANNE LACKMANN, EDWARD S. LIVINGSTONE, E.W. PAUL LUXFORD, ELIZABETH McALLISTER, DIXIE MAGDICH, WILLIAM P. McLAWS, JAMES R. NEALE, H.J. RENPENNING, LESLIE ARTHUR RUSH, GEORGE EDWARD RUSH, JOANNE SHILLING, A.D. SPARROW, R.T. WILLIAMS, G.A. WILSON, MAX M. WOLFE, MARY PURASK, JEANNETTE PURASK, JOHN E. PROTHROE and BRIDGESTONE RESOURCES LTD., (hereinafter called the "Partners"),

OF THE SECOND PART

- and -

WESPAC PETROLEUMS LIMITED, a body corporate, incorporated under the laws of the Province of Ontario, having its Head Office at the City of Toronto in the Province of Ontario, and having its Executive Office at the City of Calgary, aforesaid, (hereinafter called "Wespac")

OF THE THIRD PART

- and -

ROBERT EDWARD WOLF, of the City of Calgary, aforesaid, Geologist, (hereinafter called "Wolf") and THE WOLVERINE FOUNDATION, a charitable organization incorporated under the laws of the Province of Alberta, having its registered office at the City of Calgary, aforesaid, (hereinafter called "Wolverine")

OF THE FOURTH PART

WHEREAS Yukon is a private corporation duly incorporated under the laws of Canada, having an authorized capital of 50,000 common shares without nominal or par value, and carries on business in Canada and elsewhere in exploring for and developing petroleum and natural gas and other minerals; and

WHEREAS Wespac is a public corporation duly incorporated under the laws of the Province of Ontario, having an authorized capital of 5,000,000 shares without nominal or par value, of which 3,100,000 shares have been issued or are committed for issuance and when issued will be outstanding as fully paid and non-assessable; and

WHEREAS Wolf and Wolverine are the beneficial owners of all of the outstanding shares of Yukon, being 12 shares without nominal or par value (hereinafter called the "Yukon shares") of which Wolf owns beneficially 8 shares, and of which Wolverine owns beneficially 4 shares; and

WHEREAS the Partners are the owners of those petroleum and natural gas interests set forth in the Schedule of Partners' Properties hereunto annexed as Schedule "A" (hereinafter called the "Partners' Properties"); and

WHEREAS Wolf and Wolverine have agreed to sell and convey to Wespac all of the Yukon shares and the Partners have agreed to sell and convey to Wespac all of the Partners' Properties, for and upon the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in reliance on the representations and warranties of the parties herein contained, and in consideration of the premises and the covenants and agreements of the parties hereto, IT IS AGREED AS FOLLOWS:

ARTICLE I - PLAN OF REORGANIZATION BETWEEN YUKON, THE PARTNERS AND WESPAC

1.01 The reorganization will comprise:

- (i) the exchange by Wolf and Wolverine with Wespac of all of the outstanding shares of Yukon for 2,515,099 unissued shares of Wespac, following consolidation of the authorized share capital of Wespac on the basis of one new share without par value for each five shares without par value

presently authorized, of which:

- . Wolf shall receive 1,676,733 such shares; and
- . Wolverine shall receive 838,366 such shares:

so that Yukon shall thereupon be owned and operated as a wholly-owned subsidiary of Wespac; and

- (ii) the exchange by the Partners with Wespac of all of their interests in the Partners' Properties for 708,494 unissued shares of Wespac, consolidated as aforesaid; and
- (iii) the change of the corporate name of Wespac to Canada Geothermal Oil Ltd., or such other name as may be acceptable.

The Closing of the Exchange of Shares and Assets contemplated by the reorganization shall take place in the offices of Wespac in Calgary, Alberta, on a date, to be specified by Wespac, to be the date of acceptance for filing with the Toronto Stock Exchange and the Ontario Securities Commission of the Statement of Material Facts to be filed by Wespac reflecting, inter alia, the events contemplated by this Agreement and Plan of Reorganization. In the event that by reason of causes not subject to the control of any party hereto the Exchange of Shares and Assets cannot be effected by such date, then, at the option of any party hereto, it shall be adjourned from time to time until the same may be effected, provided that such adjournment or adjournments shall not exceed one hundred eighty (180) days in the aggregate. The parties hereto, by mutual agreement, may accelerate the initial or adjourned date for the Exchange of Shares and Assets. The delivery of the instruments and documents of sale and transfer, the delivery of the stock certificate or certificates constituting payment of the purchase price and the consummation of the other transactions to be completed in connection therewith shall be herein referred to as the "Closing" and the day and hour thereof shall be herein sometimes referred to as the "Closing Date".

ARTICLE II - AUTHORIZATION FOR EXCHANGE OF SHARES AND ASSETS

2.01 Wespac will cause its Annual Meeting and a Special General Meeting of its stockholders to be held on or before August 12, 1971, or such later date as Wolf shall approve, to consider and vote upon the approval and adoption of this Agreement and the consummation of all the transactions provided for herein. Wespac will use its best efforts to obtain the favourable vote upon such proposals by its shareholders.

2.02 Wespac will use its best efforts to obtain all necessary permissions, approvals and consents by third parties and governmental authorities to the Exchange of Shares and Assets covered by this Agreement and the consummation of the transactions provided for herein.

ARTICLE III - EXCHANGE OF SHARES AND ASSETS

3.01 Upon the approval of the holders of the requisite number of shares of Wespac as referred to in Article II of this Agreement, to all of the matters set forth in Article I hereof, and subject to the terms, provisions and conditions of this Agreement, and of the acceptance for filing by the Toronto Stock Exchange and the Ontario Securities Commission of a Statement of Material Facts including the matters set forth in this Agreement and Plan of Reorganization, Wolf and Wolverine will at the Closing, convey, assign, transfer, sell and deliver to Wespac, and Wespac will accept and acquire from Wolf and Wolverine certificates for all of the Yukon shares, duly endorsed for transfer, accompanied by all such consents and authorizations as shall be necessary in the opinion of Wespac, in order to permit Wespac or its nominee to become registered in respect thereof upon the Register of Shareholders of Yukon.

3.02 In consideration of the transfer and delivery of the Yukon shares to Wespac as provided in Section 3.01, Wespac at the Closing will:

- (a) Execute, issue and deliver to Wolf and Wolverine certificates representing 2,515,099 shares of Wespac, consolidated as referred to in Article I hereof, as follows:
 - . to Wolf, 1,676,733 of such shares, registered in his name; and
 - . to Wolverine, 838,366 of such shares, registered in its name.

Each of Wolf and Wolverine agrees that he, it and they will pool all of their said shares of Wespac to the extent required by any underwriter who may undertake the public offering of shares of Wespac following upon the implementation of this Agreement and Plan of Reorganization.

This number of shares is determined as follows:

By Dividing:

- (i) · the appraised value of the oil and gas interests of Yukon discounted by 20%,
- plus (ii) · the net value of other assets of Yukon,
- less · the value of the net liabilities of Yukon, as determined by the auditors for Yukon at March 31, 1971,

by:

- the equivalent weighted average trading price of shares of Wespac, consolidated 5 for 1, as reflected in the records of the Toronto Stock Exchange for the period December 8, 1970 to January 7, 1971, which has been determined at \$1.16 per share.

The value of the Yukon assets is based upon the following reports:

- Canadian Arctic Islands Permits - Evaluation by J.C. Sproule and Associates Ltd. dated January 11, 1971.
- Tunisian Interests - Evaluation by J.C. Sproule and Associates Ltd. dated January 18, 1971.
- Alberta, British Columbia, Northwest Territories and Yukon Territories Interests - Evaluation by Gallup Exploration & Services Ltd. dated May 26, 1971.
- Alaska Gross Overriding Royalties - Evaluation by Gallup Exploration & Services Ltd. dated May 26, 1971.

(hereinafter called the "Yukon Appraisal Reports"), and the bid price of marketable securities as of March 31, 1971, and the book value of Yukon's other assets as shown on its Statement of Assets and Liabilities as of March 31, 1971, excluding Investment in Shares and Shares Receivable of Wespac Petroleums Limited.

- (b) Cause to be elected to the Board of Directors of Wespac at, or forthwith following the Closing, the appointees of Wolf.

3.03 Upon the approval of the holders of the requisite number of shares of Wespac as referred to in Article II of this Agreement, and subject to the terms, provisions and conditions of this Agreement and of the acceptance for filing by the Toronto Stock Exchange and the Ontario Securities Commission of a Statement of Material Facts including the matters set forth in this Agreement and Plan of Reorganization, the Partners will at the Closing, convey and assign to Wespac, and Wespac will accept and acquire from the Partners, all of the Partners' Properties, by good and sufficient conveyances satisfactory to counsel for Wespac.

3.04 In consideration of the transfer and delivery of the Partners' Properties to Wespac as provided in Section 3.03, Wespac will:

- (a) At the Closing, and in accordance with the following Schedule of Payment and Delivery, execute, issue and deliver to Wolf, as agent for each of the Partners, certificates representing an aggregate of 708,494 shares of Wespac, consolidated as referred to in Article I hereof, in those denominations and to those persons all as set forth in Schedule "A".

SCHEDULE OF PAYMENT AND DELIVERY FOR PARTNERS

<u>Shares acquired under Agreement and Plan of Reorganization</u>	<u>At Closing</u>	<u>First Anniversary</u>	<u>Second Anniversary</u>	<u>Third Anniversary</u>	<u>Fourth Anniversary</u>
Less than 5,000 shares	100%				
5,001 shares to 10,000 shares	5,000 shares	Balance			
10,001 shares to 15,000 shares	5,000 shares	5,000 shares	Balance		
15,001 shares to 20,000 shares	5,000 shares	5,000 shares	5,000 shares	Balance	
20,001 shares to 25,000 shares	5,000 shares	5,000 shares	5,000 shares	5,000 shares	Balance
Over 25,000 shares	20%	20%	20%	20%	Balance

The numbers of shares to which the Partners in the aggregate, and each Partner individually, is entitled is determined as follows:

By Dividing:

· the appraised value of the Partners' Properties, discounted by 20%

less : · the value of the liabilities of the Partners to Yukon at March 31, 1971, as set forth in Schedule "A",

by:

· the equivalent Weighted Average trading price of shares of Wespac, consolidated 5 for 1, as reflected in the records of the Toronto Stock Exchange for the period December 8, 1970 to January 7, 1971, which has been determined and agreed upon at \$1.16 per share.

The appraised value of the Partners' Properties is based upon the Yukon Appraisal Reports, and is expressly adopted by each of the Partners executing these presents, as set forth in Schedule "A".

- (b) Assume and agree to pay, perform and discharge those debts, obligations, liabilities and agreements of the Partners to Yukon listed or described in Schedule "A". Such assumption and agreement are made expressly for the benefit of the Partners and may be enforced by any of them, and anything in this Agreement to the contrary notwithstanding, such assumption and agreement to pay, perform and discharge shall survive the Closing Date.

ARTICLE IV - THE CLOSING

4.01 The Exchange of Shares and Assets shall take place on the Closing Date as heretofore provided.

4.02 To effect the Exchange of Shares and Assets, each of Wolf, Wolverine and the Partners shall deliver to Wespac such conveyances, assignments, certificates and all other instruments and documents, in form, content and substance satisfactory to Wespac, as shall reasonably be necessary to vest fully in Wespac all of the right, title and interest of Wolf, Wolverine and the Partners in and to all of the Yukon shares and the Partners' Properties, concurrently with the delivery by Wespac to Wolverine and to Wolf, for himself and as agent for the Partners as in Article III hereof set forth, of the certificate or certificates for the shares of Wespac as above provided and such instruments and documents as may reasonably be necessary and sufficient to evidence the assumption by Wespac of the specific liabilities and obligations of the Partners expressly assumed by Wespac pursuant to Section 3.04 (b).

ARTICLE V - REPRESENTATIONS OF WOLF AND WOLVERINE

5.01 Wolf and Wolverine hereby represent and warrant jointly and severally as follows, and hereby acknowledge and confirm that Wespac is relying upon such representations and warranties in connection with the purchase by Wespac of the Yukon shares:

- (a) Yukon is a corporation duly organized, validly existing and in good standing under the laws of Canada and has the corporate power to own or lease its properties and to carry on its business as presently being conducted.
- (b) The authorized share capital of Yukon as of the date hereof, and at the Closing Date, consists of and will consist of 50,000 common, no par value shares, of which there are and will be issued twelve (12) shares, owned beneficially by Wolf and Wolverine.
- (c) All of the Yukon shares are issued and outstanding as fully paid and non-assessable and are now and will be at the Closing Date, owned by Wolf and Wolverine free of all liens, charges and encumbrances whatsoever.
- (d) No person, firm or corporation has or will have at the time of closing any agreement or option or any right capable of becoming an agreement for the purchase of any of the Yukon shares or any agreement or option or any right, capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares of Yukon.
- (e) None of the remaining authorized treasury shares of Yukon will be issued nor will any unissued or treasury shares be created now or prior to the Closing Date.
- (f) The Financial Statements of Yukon as of March 31, 1971 (such statements being hereinafter referred to as "the Yukon Financial Statements" and such date being hereinafter referred to as "the financial date", copies of the Yukon Financial Statements being hereunto annexed as Schedule "B" and forming a part hereof) correctly set forth the financial position of Yukon as of the financial date, and in particular, and without limiting the generality of the foregoing, include all the liabilities, contingent or otherwise of Yukon as of such date. Such Financial Statements have been prepared in conformity with generally accepted accounting principles and present fairly the financial position of Yukon on the financial date. Since the financial date, there has been no material adverse change in the condition of Yukon, financial or otherwise, from that set forth in the Yukon Financial Statements, other than as set forth under Note 10, "Subsequent Events", to the Yukon Financial Statements.

- (g) The business of Yukon has been carried on in its ordinary course since the financial date and will be carried on in the ordinary course up to the Closing Date.
- (h) No dividends or other distributions or any shares in the capital of Yukon have been declared, paid or authorized since the financial date or, will be declared, paid or authorized after the date hereof, and up to the Closing Date.
- (i) No payments will be made or authorized since the financial date or will be made or authorized after the date hereof and prior to Closing Date by Yukon, to any officer, director, shareholder, or employee, except in the ordinary course of business and at the regular rate of salary or other remuneration, and except as set forth under Note 10, "Subsequent Events" to the Yukon Financial Statements.
- (j) No bonuses have been paid or authorized since the financial date up to the date hereof by Yukon and none will be paid or authorized by Yukon after the date hereof and prior to the Closing Date to any officer, director, shareholder or employee of Yukon.
- (k) Yukon is not now nor will be at the Closing Date a party to any written employment agreement with any employee, except such employment contracts which may be terminated on one month's notice.
- (l) Yukon is not now nor will be at the Closing Date, a party to any contract of an extraordinary or long term nature other than contracts arising out of mining or oil and gas properties entered into in the ordinary course of business.
- (m) Yukon is now and at the Closing Date will be in good standing under the laws of Canada and each of the Provinces wherein it shall then be carrying on its business, and has not received notice of any breach of any contracts to which it is a party.
- (n) There is not now or will there be at the time of Closing any known arrears or known liabilities for taxes (including taxes on income, rates, assessments or other charges adversely affecting the financial position of Yukon) except as now shown as accruals or reserved for or estimated on the Yukon Financial Statements, except taxes, rates, assessments or other charges accruing in the ordinary course of business since the financial date.
- (o) Other than as set forth under Note 10, "Subsequent Events", to the Yukon Financial Statements, Yukon has not since the financial date and will not, up to the Closing Date, sell, assign, mortgage, pledge, charge or encumber any of its assets and will punctually pay all claims or debts the non-payment of which would entitle any person to a lien, unless disputed in good faith.
- (p) The accounts receivable as shown on the books of Yukon or reflected in the Yukon Financial Statements, except as have been paid between the financial date and the Closing Date will, at the Closing Date be good and collectable, except as otherwise noted in the Notes to the Yukon Financial Statements.
- (q) All of the returns for income taxes which Yukon is now or will, at the Closing Date, be responsible for the payment of and all periods prior to the date hereof have been fully prepared and filed in good faith according to law. There are no pending questions relating to or claims for taxes or assessments asserted against Yukon by any such taxing authority other than as reflected in the Yukon Financial Statements.
- (r) Wolf has delivered to Wespac a true and correct copy of the Yukon Appraisals. Such Appraisals cover all interests in oil, gas and other mineral properties of Yukon that are reflected in the Yukon Financial Statements.
- (s) Yukon has:
 - (i) no present knowledge of any claims of third parties against its title or interest in and to its petroleum and natural gas properties, except as shown on the Yukon Financial Statements, and no other representations or warranties are hereby made as to its title or interest in said properties; and
 - (ii) good and valid title, free and clear of encumbrances (other than normal operating liens and encumbrances and except mortgages or pledges, securing indebtedness disclosed in the Yukon Financial Statements), to all other properties and assets reflected in the Yukon Financial Statements.

ARTICLE VI - REPRESENTATIONS OF PARTNERS AND APPOINTMENT OF PARTNERS' AGENT

6.01 Each of the Partners hereby represents and warrants for himself individually, and not jointly, as follows, and hereby acknowledges and confirms that Wespac is relying upon such representations and warranties

in connection with the purchase by Wespac of the interest of such Partner in the Partners' Properties:

The interest of such Partner in the Partners' Properties, as set forth and described in the Schedule of Partners' Properties hereunto annexed as Schedule "A", is owned by such Partner free and clear of all encumbrances except those set forth in such Schedule or as contemplated by this Agreement, and that such Partner is fully authorized and empowered to enter into the within Agreement and to make delivery of the interest of such Partner in the Partners' Properties.

Subject as aforesaid, none of the Partners warrants its title to the interest of such Partner in the Partners' Properties.

6.02 Each of the Partners does hereby irrevocably authorize and constitute Wolf, as his agent, to amend this Agreement in any respect, except as to the number of shares of Wespac to which such Partner will become entitled, as set forth in Schedule "A" hereto, and to execute and deliver any consent or waiver which he in his sole discretion may think necessary or desirable, notwithstanding that Wolf may be the beneficiary, either directly or indirectly, of such amendment, consent or waiver.

ARTICLE VII - REPRESENTATIONS OF WESPAC

7.01 Wespac represents and warrants as follows:

- (a) Wespac is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario and has the corporate power to own or lease its properties and to carry on its business as now being conducted in all jurisdictions in which it is qualified to do business as a foreign corporation.
- (b) Wespac has legal power, right and authority, to enter into and perform this Agreement; the execution, delivery and performance of this Agreement by Wespac have been duly and validly authorized by its Board of Directors; this Agreement is legally binding upon Wespac in accordance with its terms; and neither the execution nor delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement, nor compliance by Wespac with any of the provisions hereof, will conflict with or result in a breach or default under any term, condition or provision of its Charter Documents or any note, bond, mortgage, indenture, license, agreement or other instrument of obligation to which Wespac is a party or by which it or any of its properties or assets may be bound, which breach or default has a materially adverse effect on the business, undertaking, assets or financial condition of Wespac.
- (c) The shares of Wespac common stock to be delivered as contemplated by Article III hereof will be duly authorized, validly issued and outstanding as fully paid and non-assessable shares of Wespac common stock at the time of delivery.
- (d) The Wespac Financial Statements as at March 31, 1971 heretofore delivered by Wespac to Wolf, Wolverine and to each of the Partners (such statements being hereinafter referred to as the "Wespac Financial Statements", copies thereof being hereunto annexed as Schedule "C" and forming a part hereof are complete and correct; are in accordance with the books and records of Wespac; present fairly the financial position of Wespac as at the respective dates thereof, and the results of its operations for the respective periods then ended; and have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with the preceding periods.
- (e) Wespac has no liabilities (including liabilities for any income taxes), contingent or otherwise, other than as set forth in the Wespac Financial Statements, except for liabilities, which in the aggregate are not material, incurred in the ordinary and regular course of business since March 31, 1971.
- (f) There have been no changes in the assets, undertaking, business or financial condition of Wespac since March 31, 1971, which would have a materially adverse effect on the value of its business or its financial condition.
- (g) Wespac has not subsequent to March 31, 1971 entered into any transaction outside of the ordinary and regular course of its business for either the acquisition or disposition of any asset, nor incurred any obligation or indebtedness, the due date of which is more than one year after incurring the same.
- (h) Wespac has performed all the obligations required to be performed by it and is not in default in any respect under any mortgage, indenture, note or other obligation for or relating to borrowed money to which it is a party, or to which any property or assets of Wespac are subject, and since March 31, 1971, Wespac has not entered into any contract or other transaction, other than in the ordinary and regular course of its business, which would materially adversely affect Wespac and there is no litigation or proceeding by any person, firm, corporation or governmental authority commenced or threatened which may or might materially and adversely affect Wespac and which is not either adequately protected by insurance or referred to in the Wespac Financial Statements or which affects the transactions contemplated by this Agreement.

(i) Wespac has:

- (a) no present knowledge of any claims of third parties against its title or interest in and to its petroleum and natural gas properties, except as shown on the Wespac Balance Sheet, and no other representations or warranties are hereby made as to its title or interest in said properties; and
- (b) good and valid title, free and clear of encumbrances (other than normal operating liens and encumbrances and except mortgages and pledges securing indebtedness disclosed in the Wespac Financial Statements), to all other properties and assets reflected in the Wespac Financial Statements.
- (j) The financial and other information which shall have been furnished by Wespac for inclusion in the Information Circular to be issued by Wespac to its shareholders relating to the Annual and Special General Meeting called for authorization of this Agreement and Plan of Reorganization pursuant to Clause 2.01 hereof shall not be false or misleading in any material respect or fail to state any fact necessary to make the statements therein not false or misleading in any material respect.

ARTICLE VIII - AGREEMENT CONDITIONAL UPON CERTAIN EVENTS

8.01 This Agreement shall be null and void and of no force and effect unless on or prior to the Closing Date each of the following conditions has been fulfilled or events have occurred:

- (a) The ratification of this Agreement and the corporate reorganization of Wespac contemplated herein has been accomplished at a Special General Meeting of the Shareholders of Wespac, and management of Wespac has elected to proceed with such reorganization.
- (b) All necessary approvals required from security and exchange commissions and similar governmental authorities in Canada and of the Toronto Stock Exchange of all matters and material in connection with the transactions contemplated by this Agreement, shall have been received.
- (c) Notice of the transaction contemplated by this agreement has been given to the Toronto Stock Exchange and the Ontario Securities Commission and that such notice has been accepted for filing.

ARTICLE IX - CONDITIONS OF OBLIGATIONS OF WOLF AND THE PARTNERS

9.01 The performance by each of Wolf, Wolverine and each of the Partners of his obligations under this Agreement is subject to the fulfilment (or waiver in writing by each of such parties) not later than the Closing Date, of each of the following conditions:

- (a) All the terms, covenants and conditions of this Agreement to be complied with and performed by Wespac on or before the Closing Date shall have been duly complied with and performed in all material respects.
- (b) The representations and warranties made by Wespac herein shall be true and correct at and as of the Closing Date, with the same force and effect as though such representations had been made at that time except to the extent incorrect as of the Closing Date because of:
 - (i) events or changes occurring or arising by reason of transactions contemplated or permitted by this Agreement; or
 - (ii) matters which, in the aggregate are not materially adverse to the assets, undertaking, business or financial condition of Wespac.
- (c) Wespac shall have continued to carry on business substantially in the course in which such business was carried on at the date of this Agreement, and shall have consulted with Wolf on any matter significant to such business arising after the date of the Agreement and prior to the Closing Date; the business, undertaking, assets and financial condition of Wespac at the Closing Date shall not have suffered any materially adverse change as the result of any fire, accident, other casualty, labor disturbance, act of God, public enemy or force majeure; there shall have been no change in the assets, undertaking, business or financial condition of Wespac since March 31, 1971 which shall have a materially adverse effect on the results or value of its business and since that date Wespac shall not have declared or paid any dividend or made any other distribution of its assets to its shareholders.
- (d) Wolf shall receive:
 - (i) a certificate signed by any two of the officers or Directors of Wespac together with the principal financial officer of Wespac confirming compliance by Wespac with the provisions of paragraphs (a), (b) and (c) of this Clause; and

(ii) an opinion of counsel for Wespac, dated the Closing Date, in form and substance satisfactory to Wolf to the effect that (A) Wespac is a corporation duly organized and validly existing under the laws of the Province of Ontario; (B) the execution, delivery and performance of this Agreement by Wespac does not violate any provision of law or conflict with or result in any breach of any provision of or constitute a default under its Charter Documents; (C) the execution, delivery, and performance of this Agreement has been duly authorized by all necessary action by the Board of Directors of Wespac and this Agreement is a legal, valid and binding obligation of Wespac; (D) the shares of Wespac to be delivered pursuant to Article III hereof have been duly authorized for issuance by the Board of Directors of Wespac and, when delivered as provided herein, will be validly issued and outstanding as fully paid and non-assessable. In rendering such opinion, counsel for Wespac may rely upon opinions of other counsel satisfactory to it as to matters of foreign law.

(e) All actions, proceedings, instruments and documents required to carry out this Agreement or incidental thereto and all other related legal matters shall have been approved by counsel for Wolf and Wolverine.

9.02 The remedy available to Wolf, Wolverine and/or the Partners for and in respect of any default occurring hereunder is limited and restricted as provided by Article XI hereof.

ARTICLE X - CONDITIONS OF OBLIGATIONS OF WESPAC

10.01 The performance by Wespac of its obligations under this Agreement is subject to the fulfilment, (or waiver in writing by Wespac) not later than the Closing Date, of each of the following conditions:

- (a) All the terms, covenants and conditions of this Agreement to be complied with or performed by each of Wolf, Wolverine and the Partners on or before the Closing Date shall have been fully complied with and performed in all material respects.
- (b) The representations and warranties made by each of Wolf, Wolverine and the Partners herein shall be true and correct at and as of the Closing Date with the same force and effect as though such representations had been made at that time except to the extent incorrect as of the Closing Date because of:
 - (i) events or changes occurring or arising by reason of transactions contemplated or permitted by this Agreement; or
 - (ii) matters which in the aggregate are not materially adverse to the assets, undertaking, business or financial conditions of Yukon.
- (c) Other than as set forth in Note 10, "Subsequent Events", to the Yukon Financial Statements, Yukon shall have continued to carry on business substantially in the course in which such business was carried on at the date of this Agreement, and shall have consulted with Wespac on any matter significant to such business arising after the date of this Agreement and prior to the Closing Date; the business, undertaking, assets and financial condition of Yukon at the Closing Date shall not have suffered any materially adverse change; there shall have been no change in the assets, undertaking, business or financial condition of Yukon since March 31, 1971, which shall have had a materially adverse effect on the results of value of its business, and since that date Yukon shall not have declared or paid any dividend nor made any other distribution of its assets to its shareholders.
- (d) On the Closing Date, Wespac shall receive:
 - (i) a certificate signed by the President and the Secretary-Treasurer of Yukon, confirming compliance by Yukon with the provisions (a), (b) and (c) of this Article X;
 - (ii) an opinion of counsel for Yukon, dated the Closing Date, in form and substance satisfactory to Wespac to the effect that (A) Yukon is a corporation duly and validly organized, validly existing and in good standing under the laws of Canada; (B) the Yukon shares have been duly authorized and validly allotted and issued as fully paid and non-assessable and constitute all of the outstanding shares of the corporation; (C) each of Wolf and Wolverine has full legal power and right to deliver, assign and transfer the Yukon shares to Wespac, as contemplated by Clause 3.01 hereof.

In rendering such opinion, counsel to Yukon may rely on other counsel satisfactory to it with respect to all matters of foreign law.

(e) All actions, proceedings, instruments and documents required to carry out this Agreement or incidental thereto and all other related legal matters shall have been approved by counsel for Wespac.

10.02 The remedy available to Wespac for and in respect of any default occurring hereunder is limited and restricted as provided by Article XI hereof.

ARTICLE XI - DEFAULT

11.01 The representations, undertakings and warranties contained in this Agreement shall survive the closing and shall continue and remain in full force and effect subject to the further provisions of this Article XI.

11.02 In the event of discovery on or before the Closing Date of any misrepresentation or of the breach of any warranty made by one party to any other, or the inability of any party to fulfill any of the conditions required to be fulfilled by it on or before the Closing Date (herein collectively called a "default"), any nondefaulting party adversely affected by such default may give written notice thereof on or before the Closing Date specifying a reasonable period of time, having regard to the nature of the default, within which to remedy the default. Failing such remedy, if in the reasonable opinion of the nondefaulting party the default is material, this Agreement may be terminated by the nondefaulting party at any time thereafter and prior to the remedy of the default, upon notice in writing to that effect, whereupon this Agreement shall be wholly terminated without liability of any kind by any party to any other, whether for recovery of costs incurred or otherwise howsoever; provided, however that if such nondefaulting party elects not to terminate but to proceed with the Closing hereunder, then the defaulting party shall not be liable to the other for any loss, liability or damage thereafter suffered by the other by reason of such default.

11.03 In the event of discovery of a default after the Closing Date, any nondefaulting party adversely affected thereby may give written notice thereof specifying a reasonable period of time having regard to the nature of the default within which to remedy the default. Failing such remedy, if in its reasonable opinion the default is material, such nondefaulting party may claim damages based on the alleged default; Provided that such claim shall be barred and no such action shall be commenced unless notice has been given within six (6) months from the Closing Date.

ARTICLE XII - MISCELLANEOUS

12.01 The obligations of any party to this Agreement shall not be assignable, and cannot be altered, amended or terminated except pursuant to an instrument in writing signed by each of the parties hereto, or its or their agent, affected thereby. Subject thereto, this agreement shall be binding upon the parties hereto and their respective successors and assigns. Whenever the singular or masculine or neuter is used in this agreement same shall be construed as meaning the plural or feminine or body corporate and vice versa where the context so requires.

12.02 No provisions hereof shall be construed to confer any rights or remedies on any person not a party hereto.

12.03 Each of the parties hereto agrees that it will use its best efforts to cause each of the terms and conditions of this Agreement to be fulfilled and/or performed and to assure the correctness of all representations and warranties made by it in this Agreement, will fully perform all undertakings made by it hereunder and will proceed in good faith to conclude the transactions contemplated herein in an expeditious manner.

12.04 All notices, consents, requests, instruments, approvals and other communications provided for herein and all legal process relating hereto shall be validly given, made or served if in writing and delivered personally or sent by registered mail, postage prepaid, addressed to any of Yukon, Wespac, Wolf or Wolverine at:

P.O. Box 6240 - Station 'D',
Calgary 2, Alberta

and to each of the Partners at his address as shown on Schedule "A" hereto. Any of such addresses may be changed upon prior written notice to the other parties hereto. Any notice mailed as aforesaid shall be deemed to have been received by the addressee thereof on the next business day following the date of mailing.

12.05 This Agreement and the Schedules hereunto annexed and other writings specifically identified herein contain the entire agreement between and among the parties with respect to the transactions contemplated herein.

12.06 This Agreement may be executed in separate counterparts and all of the executed counterparts shall together be deemed to constitute one agreement.

In the event of the execution of this Agreement by less than all of the persons herein designated as Partners, then at the election of Wespac, and upon notice to all such persons, this Agreement shall, mutatis mutandis, thereupon be binding upon such executing persons (who collectively shall then be designated the "Partners") and the other parties hereto.

12.07 This Agreement shall be interpreted, enforced and governed by the laws of the Province of Alberta. The Courts of the Province of Alberta shall have sole jurisdiction in regards to any such interpretation, enforcement or construction of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered, as of the day and year first above written.

(Provision for Signatures by Each of the Parties)

' SCHEDULE OF PARTNERS'
CONSOLIDATED SHARES OF WESPAC

Name & Address of Partners	Axel Heiberg Island A4759 - A4762 171,766 acres @ \$2.00		Axel Heiberg Island A4845 - A4847 130,480 acres @ \$.75		Nansen Sound A4848 - A4850 108,366 acres @ \$.35		Northwest Ellesmere Island A5374 - A5386 520,478 acres @ \$1.50	
	% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value
Mr. Tom Beck 422 - 33rd Ave. S.W. Calgary, Alberta	1.000	\$3,435	1.000	\$979	1.000	\$379		
Mrs. Stella M. Brisbin 270 Carragana Cr. N.W. Calgary 48, Alberta	.250	\$859	.250	\$245	.250	\$95		
Mr. Sheldon Chumir 300 - 444 7 Ave. S.W. Calgary, Alberta							.333	\$2,600
Mr. Louis Czimbora via Calzolaio 19 Roma, Italy	5.400	\$18,550	5.400	\$5,284	6.000	\$2,275		
Mrs. Margaret Duncan P. O. Box 459 King City, Ontario							4.480	\$34,976
Mr. C. Ralph Hoar 2716 Carlton Street Calgary, Alberta							.333	\$2,600
Dr. J. Crosby Johnston 100 Clarendon Rd. N.W. Calgary 44, Alberta	1.300	\$4,466	1.300	\$1,272	1.300	\$493		
Mr. Harold C. Kalke 2347 Nelson Avenue West Vancouver, B.C.	.650	\$2,233	.650	\$636	.650	\$247		
Mrs. Jeanne Lackmann 5148 N.E. 54th Seattle, Wash. 98105	1.000	\$3,435	1.000	\$979	1.000	\$379		
Dr. Edward S. Livingstone 462 - 25th Avenue N.W. Calgary, Alberta							2.192	\$17,113
Dr. E. W. Paul Luxford 628 - 12th Ave. S.W. Calgary, Alberta							3.250	\$25,373
Mrs. Elizabeth McAllister 39 Gainsborough Dr. S.W. Calgary, Alberta	.500	\$1,718	.500	\$489	.500	\$190		
Mr. William P. McLaws 5403 Elbow Dr. S.W. Calgary, Alberta							.334	\$2,607

attached Agreement dated May 31, 1971

PROPERTIES AND
TO BE ISSUED THEREFOR

Fording Mtn.		Bell River		Beaver River		Beaver River		Total	Less Payable to Yukon March 31/71	Net Discounted Value	Conversion to Wespac Shares @ \$1.16	
Permit 2162	40,985 acres	Permit 6299	48,890 acres	5502, 03	05, 06, 5637	6560-64	218,500 acres					
@ \$1.00		@ \$2.50		@ \$2.00		@ \$3.00		Gross Value				
% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value	Gross Value	Discounted 20%			
								\$4,793	\$3,834	\$1,231.80	\$2,602.20	2,243
								\$1,199	\$959	\$179.64	\$779.36	672
								\$2,600	\$2,080	\$260.24	\$1,819.76	1,569
								\$26,109	\$20,887	\$2,726.45	\$18,160.55	15,656
								\$34,976	\$27,981	\$33.50	\$27,947.50	24,093
								\$2,600	\$2,080	\$260.24	\$1,819.76	1,569
								\$6,231	\$4,985	\$27.25	\$4,957.75	4,274
								\$3,116	\$2,493	\$13.63	\$2,479.37	2,137
								\$4,793	\$3,834	\$1,231.80	\$2,602.20	2,243
								\$17,113	\$13,690	\$1,732.31	\$11,957.69	10,308
								\$25,373	\$20,298	\$2,568.43	\$17,729.57	15,284
								\$2,397	\$1,917	\$359.29	\$1,557.71	1,343
								\$2,607	\$2,086	\$260.24	\$1,825.76	1,574

Name & Address of Partners	Axel Heiberg Island A4759 - A4762 171,766 acres @ \$2.00		Axel Heiberg Island A4845 - A4847 130,480 acres @ \$.75		Nansen Sound A4848 - A4850 108,366 acres @ \$.35		Northwest Ellesmere Island A5374 - A5386 520,478 acres @ \$1.50	
	% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value
Mr. James R. Neale P.O. Box 6988 Station "D" Calgary 2, Alberta	1.500	\$5,153	1.500	\$1,468	1.500	\$569		
Mrs. Dixie Magdich, Executrix 1238 Lansdowne Ave. S.W. Calgary 6, Alberta, and Mary and Jeanette Purask Box 6, Site 4, R.R. 2 Calgary, Alberta							.660	\$5,153
Dr. H. J. Renpenning 112 Palisades Saskatoon, Saskatchewan							2.740	\$21,392
Leslie A. Rush and George E. Rush, Executors P.O. Box 1174 Squamish, B.C.	1.300	\$4,466	1.300	\$1,272	1.300	\$493		
Mrs. Joanne Shilling Box 832 Petersburg, Alaska 99833	1.000	\$3,435	1.000	\$979	1.000	\$379		
Dr. A. D. Sparrow 628 - 12th Ave. S.W. Calgary, Alberta							3.250	\$25,373
Dr. R. T. Williams 3423 Utah Crescent Calgary 44, Alberta							1.625	\$12,687
Mr. G. A. Wilson 104 Waterloo Dr. Calgary, Alberta	1.300	\$4,466	1.300	\$1,272	1.300	\$493		
Mr. Max M. Wolfe 3223 Alfege St. S.W. Calgary, Alberta	1.300	\$4,466	1.300	\$1,272	1.300	\$493		
Mrs. Dixie Magdich Executrix 1238 Lansdowne Ave. S.W. Calgary 6, Alberta	17.900	\$61,494	17.900	\$17,516	18.200	\$6,903	11.000	\$85,879
Mrs. Dixie Magdich Executrix 1238 Lansdowne Ave. S.W. Calgary 6, Alberta	5.400	\$18,550	5.400	\$5,285	6.000	\$2,276		
Mr. J. E. Prothro 408 Roxborough Rd. Calgary 6, Alberta	5.400	\$18,550	5.400	\$5,285	6.000	\$2,276	3.500	\$27,324
Bridgestone Resources Ltd. P.O. Box 6240, Stn. 'D' Calgary 2, Alberta								
Total Partners Position	45.200	\$155,276	45.200	\$44,233	47.300	\$17,940	33.697	\$263,077

Fording Mtn. Permit 2162 40,985 acres @ \$1.00		Bell River Permit 6299 48,890 acres @ \$2.50		Beaver River 5502, 03 05, 06, 5637 248,807 acres @ \$2.00		Beaver River 6560-64 218,500 acres @ \$3.00		<u>Total</u> Gross Value		Less Payable to Yukon March 31/71	Net Discounted Value	Conversion to Vespac Shares @ \$1.16
% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value	% Interest	Gross Value	Gross Value	Discounted 20%			
								\$7,190	\$5,751	\$2.86	\$5,748.14	4,955
								\$5,153	\$4,122	\$521.62	\$3,600.38	3,104
								\$21,392	\$17,114	\$26.23	\$17,087.77	14,731
								\$6,231	\$4,985	\$27.25	\$4,957.75	4,274
								\$4,793	\$3,834	\$1,231.80	\$2,602.20	2,243
								\$25,373	\$20,298	\$2,568.43	\$17,729.57	15,284
								\$12,687	\$10,150	\$1,284.23	\$8,865.77	7,643
								\$6,231	\$4,986	\$27.25	\$4,958.75	4,275
								\$6,231	\$4,986	\$127.25	\$4,858.75	4,188
10.000	\$4,099							\$175,891	\$140,712	\$23,050.59	\$117,661.41	101,433
								\$26,111	\$20,889	\$4,937.87	\$15,951.13	13,751
								\$53,435	\$42,748	\$6,498.11	\$36,249.89	31,250
		45.000	\$55,001	45.000	\$223,926	50.000	\$327,750	\$606,677	\$485,342		\$485,342.00	418,398
10.000	\$4,099	45.000	\$55,001	45.000	\$223,926	50.000	\$327,750	\$1,091,302	\$873,041	\$51,188.31	\$821,852.69	708,494

EXHIBIT "I" - SCHEDULE "B"

YUKON GEOTHERMAL CO. LTD.

AUDITORS' REPORT

To the Shareholders of

Yukon Geothermal Co. Ltd.

We have examined the statement of assets and liabilities of Yukon Geothermal Co. Ltd. as at March 31, 1971. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances except as explained in the next two paragraphs.

Our examination was limited to the verification of recorded assets, liabilities and capital stock as at March 31, 1971, and accordingly we did not perform any conclusive tests of deferred expenditure (net of proceeds) transactions or the cash effect thereof for the year ended March 31, 1971 or for any year prior thereto; such transactions affect the accompanying statement of assets and liabilities.

We were unable to satisfy ourselves as to the carrying value of property interests and deferred expenditures and the recorded amount of advances from a shareholder due to the lack of independent evidence and the limitation in the scope of our examination.

Because of the circumstances mentioned in the two immediately preceding paragraphs, we are not in a position to express and do not express an opinion on the accompanying statement of assets and liabilities. We report however, that, subject to the outcome of the litigation referred to in Notes 2 and 9, nothing came to our attention during the course of our examination which causes us to believe that the assets, liabilities (other than the carrying value of property interests and deferred expenditures and the recorded amount of advances from a shareholder as mentioned above) and capital stock appearing in the accompanying statement are overstated as at March 31, 1971 or that generally accepted accounting principles have not been consistently applied.

Calgary, Alberta.

DELOITTE, HASKINS & SELLS

June 7, 1971

Chartered Accountants

YUKON GEOTHERMAL CO. LTD.

OFFICERS' REPORT

To the Directors of

Yukon Geothermal Co. Ltd.

The statements of property interests and deferred expenditures as at April 30, 1969, 1970 and March 31, 1971 and the statements of source and application of funds for the years ended April 30, 1969, 1970 and the eleven months ended March 31, 1971 of Yukon Geothermal Co. Ltd. have been prepared under our direction.

To the best of our knowledge and belief these statements present fairly the property interests and deferred expenditures as at April 30, 1969, 1970 and March 31, 1971 and the source and application of its funds for the years ended April 30, 1969, 1970 and the eleven months ended March 31, 1971 in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta

R.E. Wolf, President

June 7, 1971

C. Ralph Hoar, Secretary

YUKON GEOTHERMAL CO. LTD.

(Under The Canada Corporations Act)

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 1971

ASSETS

CURRENT ASSETS:

Cash	\$ 9,382
Term deposit	130,044
Accounts receivable - (Note 2)	148,643
Investments in marketable securities - at quoted market value (cost \$11,978)	<u>5,749</u>

Total current assets 293,818

INVESTMENT IN SHARES AND SHARES RECEIVABLE OF WESPAC PETROLEUMS LIMITED,
an affiliated company (Notes 6 and 10):

Investment in shares - at cost (quoted market value \$173,795)	48,064
Shares receivable - (Note 3)	<u>97,854</u>

Total investment in shares and shares
receivable 145,918

PROPERTY INTERESTS AND DEFERRED EXPENDITURES - (Notes 1 and 4) 766,015

EQUIPMENT (less accumulated depreciation of \$223) 1,050

TOTAL \$1,206,801

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Bank indebtedness - (Note 5)	\$ 165,000
Accounts payable and accrued liabilities - (Note 6)	467,660
Notes payable (Notes 4 and 7)	<u>458,780</u>

Total current liabilities 1,091,440

ADVANCES FROM A SHAREHOLDER - no fixed interest rate or terms of repayment 115,360

SHAREHOLDERS' EQUITY:

Capital Stock:

Authorized:

50,000 common shares without nominal or par value

Issued and fully paid:

12 common shares at 10¢ each 1

Approved by the Board:

R.E. Wolf, Director

Frank F. Gray, Director

TOTAL \$1,206,801

The accompanying notes are an integral
part of the financial statements.

YUKON GEOTHERMAL CO. LTD.

STATEMENT OF PROPERTY INTERESTS AND
DEFERRED EXPENDITURES AS AT APRIL 30, 1969, 1970 AND MARCH 31, 1971

(Unaudited)

	April 30, <u>1969</u>	April 30, <u>1970</u>	March 31, <u>1971</u>
OIL AND GAS AND MINERAL PERMITS, LEASES AND INTERESTS - Net of proceeds of disposal	\$517,055	\$280,364	\$519,169
OTHER EXPLORATORY AND GENERAL AND ADMINISTRATIVE EXPENDITURES DEFERRED:			
Administrative and general	13,776	44,953	115,758
Geological and geophysical	-	33,465	58,725
Interest expense - net	-	10,044	47,192
Lease rentals	-	-	20,215
Other charges	-	4,956	4,956
Total property interests and deferred expenditures	<u>\$530,831</u>	<u>\$373,782</u>	<u>\$766,015</u>

YUKON GEOTHERMAL CO. LTD.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEARS ENDED APRIL 30, 1969, 1970 AND FOR
THE ELEVEN MONTHS ENDED MARCH 31, 1971

(Unaudited)

	Year Ended April 30, <u>1969</u>	Year Ended April 30, <u>1970</u>	Eleven Months Ended March 31, <u>1971</u>
FUNDS PROVIDED:			
Advances from a shareholder	\$103,800	\$ 63,176	\$(51,616)
Issue of share capital	1	-	-
Proceeds from sale of investments	-	24,500	-
Total funds provided	<u>103,801</u>	<u>87,676</u>	<u>(51,616)</u>
FUNDS APPLIED:			
Net purchase of property interests and deferred exploration and other expenditures	530,831	(157,049)	392,233
Purchase of equipment	176	851	23
Purchase of shares - Wespac Petroleum Limited	-	162,077	8,341
Total funds applied	<u>531,007</u>	<u>5,879</u>	<u>400,597</u>
DECREASE (INCREASE) IN WORKING CAPITAL FOR THE PERIOD	427,206	(81,797)	452,213
WORKING CAPITAL DEFICIENCY AT BEGINNING OF THE YEAR	-	427,206	345,409
WORKING CAPITAL DEFICIENCY AT END OF THE YEAR	<u>\$427,206</u>	<u>\$345,409</u>	<u>\$797,622</u>

YUKON GEOTHERMAL CO. LTD.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1971

1. ACCOUNTING PRACTICE:

The properties in which the company has interests are in an exploratory or development stage and, accordingly, all expenditures (net of proceeds) have been capitalized or deferred.

2. ACCOUNTS RECEIVABLE:

Included in accounts receivable is an amount of \$62,638 due from Hampton Development Ltd. for which the company has commenced legal action seeking a declaration that Hampton Development Ltd. has no interest in certain permits with the result that title to the permits would revert to the company or alternatively to collect the amount due. With respect to the Hampton Development Ltd. interest in these permits, management is of the opinion that they are worth in excess of the amount of \$62,638 as at March 31, 1971.

Also included in accounts receivable is \$6,498 due from a director and \$27,988 due from a company beneficially owned by the estate of a former director.

3. SHARES RECEIVABLE:

On February 18, 1970, under the terms of an agreement, the company sold to Wespac Petroleum Limited, certain petroleum, natural gas and mining interests in exchange for certain marketable securities and 391,417 treasury shares of Wespac Petroleum Limited. The shares of Wespac Petroleum Limited, an affiliated company, were valued at 25¢ per share (\$97,854). The agreement called for the delivery of these shares to the company in the following instalments:

June 1, 1970	58,713 shares
June 1, 1971	58,713 shares
June 1, 1972	78,283 shares
June 1, 1973	78,283 shares
June 1, 1974	<u>117,425 shares</u>
	<u>391,417</u>

As at March 31, 1971, the company had not received the first instalment of shares due June 1, 1970; however, these shares were received subsequent to March 31, 1971.

4. PROPERTY INTERESTS AND DEFERRED EXPENDITURES:

Property interests include an amount of \$358,825 representing approximately a 1/2 of 1% gross overriding royalty interest, title to which is contingent upon the exercising of an option before October 14, 1971. With respect to this gross overriding royalty interest, \$300,000 is a direct liability of the company and is included in notes payable, bears interest at 6% per annum computed from October 1, 1970 and is secured by a guarantee of a shareholder. Also included is an amount of \$24,596 representing costs incurred on a property interest for which passing of title is contingent upon the company exercising an option to purchase a working interest in the property at a cost of \$55,000 before October 2, 1971.

5. BANK INDEBTEDNESS:

Bank indebtedness is secured by a general assignment of accounts receivable, personal guarantee and postponement of claim for full liability by the majority shareholder, hypothecation of the term deposit and \$160,000 of bank letters of credit.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Included in accounts payable and accrued liabilities is an amount of \$346,875, which covers the amount payable on certain petroleum and natural gas interests. Pursuant to an agreement effective for the year ending October 27, 1971 between the company and Syracuse Oils Limited, in consideration of Syracuse making available up to \$350,000 to be deposited as security for certain work requirements on petroleum and natural gas interests held by the company, the company agreed to grant Syracuse a 10% working interest in specific permits and to pledge as security and in trust 700,000 shares of Wespac Petroleum Limited, an affiliated company, and the company's working interest in certain lands, which on default under the agreement would become the property of Syracuse.

7. NOTES PAYABLE:

Notes payable, in addition to the \$300,000 referred to in Note 4, includes an amount of \$158,780 lodged with the Government of Canada to secure work requirements on certain exploratory permits held by the company.

If the company is unable to meet its work requirements on these permits within specified periods, they will be forfeited to the Government of Canada in satisfaction of the notes payable.

8. INCOME TAXES:

Under Canadian income tax law, exploration and development expenditures including certain property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the years ended March 31, 1971.

The company is of the opinion that it is not appropriate to provide for income taxes deferred as a result of timing differences between accounting income and taxable income as recommended by the Canadian Institute of Chartered Accountants. However, in the years ended March 31, 1971 and as at March 31, 1971, there was no deferred income tax liability as a result of such timing differences.

9. LITIGATION:

1) A statement of claim by Sturgeon Petroleum Ltd. dated November 6, 1970 has been made against the company for \$29,507. This amount is included in current liabilities, in the financial statement. The company has filed a defence and a counterclaim for damages of \$100,000 resulting from a series of alleged breaches of an agreement between Sturgeon Petroleum Ltd. and the company.

2) The solicitors for Sturgeon Petroleum Ltd. have demanded that the company cause Wespac Petroleum Limited, an affiliated company, to purchase 89,000 shares of Globe Oil Co. (1958) Ltd. for an amount of \$22,250 pursuant to a certain agreement dated February 19, 1970 between Sturgeon Petroleum Ltd., Yukon Geothermal Co. Ltd. and certain individuals. The company's solicitors believe that any claim which may be asserted by Sturgeon Petroleum Ltd. can be successfully defended and therefore management has not recognized any liability and none is included in the financial statement.

10. SUBSEQUENT EVENTS:

Subsequent to March 31, 1971 the shareholders of the company propose to exchange all of their shares for 2,515,099 new shares of Wespac Petroleum Limited, an affiliated company (after consolidation of that company's capital stock on the basis of one new share for five old shares and the subsequent increase in its authorized capital); the exchange is based upon the appraisal of the company's petroleum and natural gas interests and contingent upon Wespac receiving shareholders securities commissions' and stock exchange approvals for its reorganization.

The company proposes to donate its investment in shares and shares receivable of Wespac Petroleum Limited to The Wolverine Foundation, a charitable organization. This proposal is contingent upon the receipt of shares of Wespac as outlined in Note 3 above and upon release of the Wespac shares pledged as security as outlined in Note 6 above.

EXHIBIT "I" - SCHEDULE "C"

AUDITORS' REPORT

To the Shareholders of

Wespac Petroleum Limited:

We have examined the balance sheet of Wespac Petroleum Limited as at March 31, 1971 and the statements of loss and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1971 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.

May 28, 1971

DELOITTE, HASKINS & SELLS

Chartered Accountants

WESPAC PETROLEUMS LIMITED

(Under The Corporations Act, Ontario)

BALANCE SHEET AS AT MARCH 31, 1971

(with 1970 figures for comparison)

	<u>1971</u>	<u>1970</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 640	\$ 506
Term deposits	23,919	-
Accounts receivable:		
Trade	3,143	26,915
Other	250	375
Marketable securities:		
Shares of Sturgeon Petroleum Ltd. - at quoted market value (cost 1971 - \$64,556; 1970 - \$67,406)	37,680	49,950
Debentures of Mesa Petroleum Co. - at cost (market value \$2,430)	2,080	-
Unbilled costs	-	4,071
Prepaid expenses	64	55
Total current assets	<u>67,776</u>	<u>81,872</u>
INVESTMENT IN SHARES OF AND ADVANCES TO SUBSIDIARY COMPANY - (Note 2)	<u>1</u>	<u>1</u>
PROPERTIES AND EQUIPMENT - at cost (Notes 1 and 3):		
Petroleum and natural gas interests	226,418	243,770
Well development costs	187,343	187,343
Production equipment	34,194	34,279
	<u>447,955</u>	<u>465,392</u>
Less accumulated depletion and depreciation	<u>232,751</u>	<u>222,846</u>
Net properties and equipment	<u>215,204</u>	<u>242,546</u>
REFUNDABLE DRILLING DEPOSIT - at cost	<u>4,938</u>	<u>4,938</u>
TOTAL	<u>\$287,919</u>	<u>\$329,357</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES:		
Bank indebtedness (secured by specific guarantees)	\$ 20,000	\$ -
Notes payable	23,823	-
Accounts payable	<u>17,413</u>	<u>22,808</u>
Total current liabilities	<u>61,236</u>	<u>22,808</u>
COMMITMENT TO ISSUE SHARES (Note 3)	<u>125,000</u>	<u>125,000</u>
SHAREHOLDERS' EQUITY:		
Capital stock (Note 3):		
Authorized:		
5,000,000 shares of no par value		
Issued and fully paid:		
2,600,000 shares	1,441,397	1,441,397
Deficit	<u>1,339,714</u>	<u>1,259,848</u>
Net shareholders' equity	<u>101,683</u>	<u>181,549</u>
Approved by the Board:		
Frank F. Gray, Director		
F.W. Pooley, Director		
TOTAL	<u>\$ 287,919</u>	<u>\$ 329,357</u>

The accompanying notes are an integral part of the financial statements.

WESPAC PETROLEUMS LIMITED

STATEMENT OF LOSS AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1971

(with 1970 figures for comparison)

	<u>1971</u>	<u>1970</u>
INCOME FROM SALE OF CRUDE OIL, LESS ROYALTIES	\$ 7,250	\$ 9,606
Less production expenses	<u>2,344</u>	<u>100</u>
Income from production	<u>4,906</u>	<u>9,506</u>
EXPENSES:		
Administrative and general (Schedule 1)	18,686	14,892
Bad debts	5,092	-
Property carrying costs (lease rentals and other)	<u>1,294</u>	<u>1,371</u>
Total expenses	<u>25,072</u>	<u>16,263</u>
LOSS FROM OPERATIONS	<u>20,166</u>	<u>6,757</u>
OTHER INCOME:		
Interest	1,585	1,123
Gain on sale of production equipment	<u>-</u>	<u>344</u>
Total other income	<u>1,585</u>	<u>1,467</u>
LOSS BEFORE THE FOLLOWING	<u>18,581</u>	<u>5,290</u>
OTHER CHARGES:		
Write-down of marketable securities to market value	9,421	17,455
Abandonment of non-producing properties (Note 1)	42,263	28,652
Depletion and depreciation (Note 1)	9,905	52,762
(Gain) Loss on sale of investments	(304)	5,042
Loss on sale of Westlock interests	<u>-</u>	<u>9,062</u>
Total other charges	<u>61,285</u>	<u>112,973</u>
LOSS BEFORE EXTRAORDINARY CHARGE (Per share 1971 - \$.03; 1970 - \$.05)	79,866	118,263
EXTRAORDINARY CHARGE, BEING WRITE-DOWN OF INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANY (Note 2)	<u>-</u>	<u>417,083</u>
NET LOSS FOR THE YEAR (Note 5) (Per share 1971 - \$.03; 1970 - \$.21)	79,866	535,346
DEFICIT AT BEGINNING OF THE YEAR	<u>1,259,848</u>	<u>724,502</u>
DEFICIT AT END OF THE YEAR	<u>\$1,339,714</u>	<u>\$1,259,848</u>

The accompanying notes are an integral part of the financial statements.

WESPAC PETROLEUMS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED MARCH 31, 1971

(with 1970 figures for comparison)

	<u>1971</u>	<u>1970</u>
FUNDS PROVIDED:		
Proceeds from sale of Westlock interests	\$ -	\$ 42,000
Proceeds from sale of investments	-	79,330
Commitment to issue shares (Note 3)	-	125,000
Proceeds from sale of production equipment	<u>85</u>	<u>-</u>
Total funds provided	<u>85</u>	<u>246,330</u>
FUNDS APPLIED:		
Net loss for the year	79,866	535,346
Deduct adjustments for items not requiring an outlay of funds:		
Write-down of investment in and advances to subsidiary company	-	417,083
Abandonment of non-producing properties	42,263	28,652
Depletion and depreciation	9,905	52,762
Loss on sale of long-term investments	-	266
Loss on sale of Westlock interests	<u>-</u>	<u>9,062</u>
	<u>52,168</u>	<u>507,825</u>
Total funds applied to operations	27,698	27,521
Purchase of permits and leases	24,911	139,593
Purchase of long-term investments	-	72,403
Advance to subsidiary	<u>-</u>	<u>273</u>
Total funds applied	<u>52,609</u>	<u>239,790</u>
(DECREASE) INCREASE IN WORKING CAPITAL FOR THE YEAR	(52,524)	6,540
WORKING CAPITAL AT BEGINNING OF THE YEAR	<u>59,064</u>	<u>52,524</u>
WORKING CAPITAL AT END OF THE YEAR	<u>\$ 6,540</u>	<u>\$ 59,064</u>

The accompanying notes are an integral part of the financial statements.

WESPAC PETROLEUMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1971

1. ACCOUNTING PRACTICES:

The company's practice is to capitalize petroleum and natural gas interests and well development costs and to amortize the costs relating to producing properties on an estimated unit of production basis. Lease rentals and dry hole costs are expensed in the year incurred. Non-producing properties are charged to operations in the year of abandonment or surrender. Depreciation on production equipment is provided on the diminishing balance method.

2. INVESTMENT IN SHARES OF AND ADVANCES TO SUBSIDIARY COMPANY:

The company's interest in its subsidiary, Globe Oil Co. (1958) Ltd., being 74.41% has not changed from the previous year.

In the accompanying financial statements the assets and liabilities and income and expenses of the subsidiary have not been included because as stated in the March 31, 1970 audited financial statements and as is currently the situation, the subsidiary's title to substantially all of its oil and gas properties is in jeopardy as a result of failure to pay the royalties owing on past production. Accordingly the value of the investment in shares of and advances to the subsidiary is still considered by the company's management to be of nominal value.

The company's proportion of the loss of the subsidiary for the year ended March 31, 1971 is \$18,914 (unaudited); (1970 - \$17,969) and accumulated losses since the date of acquisition of the shares of the subsidiary amounts to \$40,939 (unaudited) to March 31, 1971 (1970 - \$22,025).

3. CAPITAL STOCK:

Pursuant to an agreement dated February 18, 1970 the company acquired interests in certain properties valued at \$139,592 in exchange for 22,800 shares of Sturgeon Petroleum Ltd. valued at \$14,592 and a commitment to issue in instalments 500,000 treasury shares of the company valued at \$125,000. These shares are to be issued in the following instalments:

75,000 shares on June 1, 1970
75,000 shares on June 1, 1971
100,000 shares on June 1, 1972
100,000 shares on June 1, 1973
150,000 shares on June 1, 1974

The Board of Directors authorized issue of the first instalment at their meeting held on May 25, 1970. However, the shares had not been issued at March 31, 1971 and are not reflected as being issued in these financial statements. Subsequent to March 31, 1971, these 75,000 shares were issued.

4. REMUNERATION OF MANAGEMENT:

No direct remuneration was paid to directors of the company during the year. Instead an amount of \$6,450 (1970 - \$6,000) was paid or accrued to management companies.

5. INCOME TAXES:

Under Canadian income tax law, exploration and development expenditures including certain property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the years ended March 31, 1971 or 1970 and an excess of such expenditures of approximately \$546,933 was available to be carried forward against future taxable income.

The company is of the opinion that it is not appropriate to provide for income taxes deferred as a result of timing differences between accounting income and taxable income as recommended by the Canadian Institute of Chartered Accountants. However, in the years ended March 31, 1971 and 1970 and as at March 31, 1971 there was no deferred income tax liability as a result of such timing differences.

6. SUBSEQUENT EVENTS:

Subsequent to March 31, 1971, the directors, subject to shareholders', securities commissions' and stock exchange approvals, authorized the company to make an offer to the shareholders of Yukon Geothermal Co. Ltd. and certain partners of Yukon under the terms of which the company proposes to acquire all the outstanding shares of Yukon and certain property interests of the partners of Yukon in exchange for approximately 3,223,593 new shares of the company (after consolidation of the company's capital stock on the basis of one new share for five old shares and the subsequent increase in its authorized capital). Following such reorganization of the company and the acquisition of the shares of Yukon and certain property interests of the partners of Yukon, the directors of the company have undertaken to secure equity financing for the company pursuant to an underwriting and agency agreement, such financing to be in the form of additional common shares of the company in the amount of \$1,500,000, \$500,000 by a firm underwriting and the balance of \$1,000,000 by agency agreement, subject again to the securities commissions' and stock exchange approvals.

SCHEDULE 1

SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 1971

(with 1970 figures for comparison)

	<u>1971</u>	<u>1970</u>
Consultant fees	\$ 239	\$ 225
Insurance	165	134
Interest and bank charges	763	469
Legal fees	2,365	3,973
Management fees	6,450	6,000
Office and general	3,926	770
Shareholders' report	469	-
Stock exchange and registration fees	968	3,013
Telephone	243	-
Travel and entertainment	2,394	308
Wages and employee benefits	<u>704</u>	<u>-</u>
	<u>\$18,686</u>	<u>\$14,892</u>

EXHIBIT "II"

EVALUATION LETTER DATED JANUARY 11TH, 1971 TO
YUKON GEOTHERMAL CO. LTD.

FROM

J.C. SPROULE AND ASSOCIATES LTD.
Geological & Engineering Consultants
1009 Fourth Avenue S.W.
Calgary 1, Alberta
Canada
P.O. Box 2525

Re: Evaluation of Certain P. & N.G. Permits of Yukon
Geothermal Co. Ltd. in the Canadian Arctic Islands.
(As of December 31st, 1970)

In response to your request we have reviewed the P. & N.G. Permit holdings of the Company in the Canadian Arctic Islands and present herewith our evaluation as of December 31, 1970. The permits under consideration, and the interests held, are as shown on the lists supplied to us.

In evaluating the properties we have taken into account all known pertinent factors such as geological structure, prospective producing zones, terrain and accessibility, and access to markets. The geological data on which our evaluation is based have been obtained from published maps and reports and from the results of our own field work and photogeological studies.

A large portion of the Company's holdings are within the Sverdrup Basin, which is considered to have good prospects for oil and gas in the Mesozoic and Late Paleozoic sediments. The remaining permits are located in the carbonate shelf area, where the prospects are mainly in reefs and other carbonates of the Early Paleozoic strata.

The Arctic Islands are still in the very early stages of exploration and no wells have been drilled on or near any of the Company's permits. With the increasing activity in the general area, much more should be known of the prospects of the Company's properties within the next two or three years.

Our evaluation of the subject properties is shown in the attached table. The figures are presented as a value to the company for orderly development. To arrive at a market value for immediate disposal, it may be necessary to discount the figures shown by as much as forty percent.

This evaluation has been prepared for the exclusive use of Yukon Geothermal Co. Ltd., and shall not be reproduced, distributed or made available to any other company or person without the written consent of J.C. Sproule and Associates Ltd.

Yours very truly,

J.C. SPROULE AND ASSOCIATES LTD.

"J.R. Chilton"

J.R. Chilton, P. Geol.

"C.A.S. Bulmer"

C.A.S. Bulmer, P. Geol.

LETTER DATED JUNE 30TH, 1971 TO

YUKON GEOTHERMAL CO. LTD.

FROM

J.C. SPROULE AND ASSOCIATES LTD.
Geological & Engineering Consultants
1009 Fourth Avenue S.W.
Calgary 1, Alberta
Canada
P.O. Box 2525

Re: Evaluation of Certain P. & N.G. Permits of Yukon
Geothermal Co. Ltd. in the Canadian Arctic Islands.
(As of December 31st, 1970)

In response to your request we have reviewed the holdings of Yukon Geothermal Co. Ltd. in the Canadian Arctic Islands, that we previously evaluated as of December 31, 1970, and reported to you by letter of January 11, 1971. A corrected evaluation table incorporating certain interest adjustments was forwarded to you by letter of June 29, 1971.

In this review we have taken into account a three percent gross overriding royalty on all the permits, of which we were previously not aware, and which had the effect of lowering the values of the working interests to some extent.

On the other hand, there has been a recent increase in interest and exploration activity in the general Arctic area, and especially in the northeastern part of the Sverdrup Basin, in which most of the Company's holdings are located. As a result, in our opinion, the value of certain of the Company's properties has appreciated since December 31, 1970.

In balance, therefore, there would be no significant change in the total value of the properties as of this date, as compared to the corrected total value that we assigned as of December 31, 1970.

Yours very truly,

J.C. SPROULE AND ASSOCIATES LTD.

"J.R. Chilton"

J.R. Chilton, P. Geol.

"C.A.S. Bulmer"

C.A.S. Bulmer, P. Geol.

To Accompany Letter Report to Yukon Geothermal Co. Ltd.,
January 11, 1971

EVALUATION OF CERTAIN P. & N. G. HOLDINGS
OF
YUKON GEOTHERMAL CO. LTD.

As of December 31, 1970.

	<u>Gross Acres</u>	<u>Company Net Interest Percent Acres</u>	<u>Value /Acre</u>	<u>Value to the Company</u>
Axel Heiberg Island				
A4672-A4678 incl.	270,334	67.78	\$5.00	\$ 916,200
A4694-A4698 incl.	187,018	67.78	2.00	253,500
Sverdrup No. 2				
Axel Heiberg Island				
A4845-A4847 incl.	130,480	34.8	0.75	34,100
Nansen-Eureka Sound				
A4848-A4850 incl.	108,366	42.7	0.35	16,200
Sverdrup No. 3				
Axel Heiberg Island				
A4759-A4762	171,766	34.8	2.00	119,600
Axel Heiberg No. 1				
Axel Heiberg Island				
A4727-A4734 incl., and A4736	395,852	50	1.50	296,900
Penny Strait - A4735	61,021	60	0.10	3,700
Axel Heiberg No. 2				
Axel Heiberg Island				
A4699-A4708 incl.	456,255	50	0.50	114,100
Ellesmere				
A5106, A5108,	55,756	25	0.20	2,800
A5107, A5104, A5110	81,994	25	0.10	2,000
Prince of Wales				
A5111, A5112	105,491	25	0.20	5,300
Devon				
A5113-A5117 incl.	302,929	25	0.25	18,900
Greely Fiord-Ellesmere Island				
A5132-A5134 incl.	121,643	45	0.40	21,900
A5135-A5139	196,836	45	0.75	66,400
A5140	21,011	45	0.35	3,300
A5141-A5143	101,646	45	0.75	34,300
A5144-A5156	513,015	45	1.50	346,300
Ellesmere				
A5374-A5386 incl.	520,478	28.3	1.50	220,900
	<hr/>			<hr/>
TOTAL	3,801,891	1,637,320		\$2,476,400
	<hr/>	<hr/>		<hr/>

Prepared by J.C. Sproule and Associates Ltd.
June 29, 1971,
to show corrections in Company Interest as of
December 31, 1970.

EXHIBIT "III"

EVALUATION LETTER DATED MAY 26TH, 1971 TO

YUKON GEOTHERMAL CO. LTD.

FROM

GALLUP EXPLORATION AND SERVICES LTD.
43 Westview Drive S.W.
Calgary 5, Alberta

Re: Evaluation of Certain Yukon Geothermal Co. Ltd.
P. & N.G. Properties in Alberta, British Columbia,
Yukon Territory and Northwest Territories

At your request I have prepared a geological report and appraisal of the Yukon Geothermal Co. Ltd. holdings in Alberta, British Columbia, Yukon Territory and the Northwest Territories as of February 28, 1971.

The geological comments and the accompanying evaluation are based on my knowledge of the various areas, on Geological Survey of Canada data and data provided by Yukon Geothermal Co. Ltd.

The following is my discussion of the geological and economic conditions pertaining to each of the properties.

BEAVER RIVER, Y.T. & N.W.T. - Permits #6560-#6564 incl. (218,500 acres) and
Permits #5502, 5503, 5505, 5506 & 5637 (248,807 acres)

Yukon Geothermal Co. Ltd. has interests varying from 42½% to 45% in two groups of permits located in the gently folded southern Mackenzie Mountains area outlined by latitudes 60°10' & 61°30' and longitudes 124°00' & 125°30'.

Rocks at the surface within the Permits range in age from Silurian to Lower Cretaceous. Permits 5505 and 5506 lie in an area of older folded sediments. The remaining Permits are in a gently folded area and are generally occupied by Lower Cretaceous sediments with some Mississippian outcropping in Permits 6561, 6562 and 6563.

The primary objective is the Middle Devonian Nahanni formation which contains about 600' of vuggy, crumbly crinoidal dolomite. The overlying Carboniferous contains some porous strata but their examination would be incidental to that of the older sequence.

Gulf drilled a well 11 miles south of Permit #5502, which was junked and abandoned prior to reaching its objective. This location has recently been redrilled by Bluemount Resources. The test, Bluemount et al Beavercrow YT B-16, is reported as abandoned but no data have been released.

Yukon Geothermal has an agreement with Gulf whereby work credits resulting from Beavercrow YT B-16 will earn Gulf and Bluemount an option to drill a Middle Devonian test on the Beaver River permits to earn a 50% interest in same. Gulf has committed to apply 50% of the credits earned by the drilling well to Permits 6560-6564, 5502, 5503 & 5637 up to a total of \$317,000.00. This amount of credits will keep the permits in good standing until 1974.

Central Del Rio Oils Ltd. has recently reported a gas discovery at CDR-CPOG et al La Biche F-08, 25 miles east of Permit 5637. The well was completed in the Middle Devonian carbonate between 6420 and 6512 feet, with an open flow of 6,400 Mcf gas per day.

Geology, activity and the excellent status of the land make the prospect very attractive. It is quite possible that the value given to the land may be conservative.

BELL RIVER - Y.T. - Permit #6299 (Lat 67°30' - 67°40', Long. 136°15' - 136°30' -- 48,890 acres)

The Bell River Permit in which Yukon Geothermal Co. Ltd. has a 45% interest lies on the west slope of the Richardson Mountains, just south of Rat Pass. It partially covers a NE - SW striking anticline exposing Upper Devonian Imperial and Fort Creek formations. The importance of this feature lies in its implications. The strike is transverse to the Richardson Mountains and lines up with the ancient Sitidgi Arch. An early inception is thus implied and the presence of a high which would influence Paleozoic sedimentation is suggested. Since the Upper Devonian is exposed potential reservoir rocks must be sought in the Middle Devonian Ramparts

formation and the Mt. Kindle reef in the Siluro-Ordovician Ronning Group. The Ramparts carbonate where developed is a fossiliferous limestone, of varying thicknesses (400' - 2700'). The Mt. Kindle Niagaran reefs are 250' thick in the Franklin Mts. north of Bear River. An off-reef facies the Road River formation, a graptolitic shale, occurs on Road River 60 miles S - SE of the Permit.

The occurrence of what is probably evidence of an ancient high as described above suggests rather strongly that Middle Devonian and Siluro-Ordovician reefs may have developed within and near the Bell River Permit, the latter being the prime objective here. There are Crown Reserve lands immediately adjacent to the Permit. This availability of additional acreage could be very important if further studies are encouraging.

A well to test any reef development in the Ronning Group on the Bell River structure would be about 7000' - 8000' deep.

Access is possible via Rat Pass from the Husky channel in the Mackenzie Delta (50 miles) or via a road planned from Dawson up the Blackstone River to the Mackenzie Delta area. The former is probably more attractive as it connects directly with transportation services on the Mackenzie River. Access via Rat Pass should be considered to be a winter route only, for the time being.

Geology, land, services and access, in that order enter into the evaluation.

DRUMHELLER, Alberta

The Company owns a 100% interest in the north half of section 21-29-19 W4M in the Drumheller area where a considerable number of dry or marginal oil and/or gas wells have been drilled to the Cretaceous Basal Quartz sand. The sand is erratically developed, hard to predict and thus of questionable value.

FLATHEAD, North B.C. - Permit #1879 - N.T.S. 82-G-15, Blocks C & F

This permit contains 41,196 acres in which Yukon Geothermal Co. Ltd. holds a 45% working interest. It lies in a region where there are Mississippian Rundle formation oil and gas fields such as Turner Valley, Jumping Pound and Pincher Creek and others in which the producing zone is a fossiliferous porous carbonate generally about 150' thick. The accumulations of oil and/or gas in these fields are in faulted and folded anticlines. In some cases, thrust sheets including the Rundle formation are thrust one upon the other, so that the pay section is repeated.

Permit #1879 covers a good portion of the Erickson Ridge Anticline which appears to have several thrust sheets of Mississippian. The prime objective is a Mississippian thrust sheet expected to be present below the Lewis Thrust fault at a depth of 8000' - 10,000'. There is a possibility of porous Devonian but its presence is incidental to the Mississippian reservoir.

Gas reserves could be large. The marketing facilities and markets are at hand. However, drilling costs are rather high due to depth, hardness of the formations and complexities of the structure.

FORDING MOUNTAIN, B.C. - Permit #2162 - N.T.S. 82-J-2, Blocks D & E

The above permit which contains 40,985 acres in which Yukon Geothermal Co. Ltd. has a 40% working interest is on the broadest part of Paleozoic outcrop along the axis of the Fording Mt. Anticline. The Mesozoics close around the feature to the south and also to the north. The direction of plunge of the feature is uncertain. However, it does appear that Permit No. 2162 lies on or partially on the apex of the Fording Mt. Anticline.

The porous biostromal Mississippian Rundle sequence which is the producing horizon at Turner Valley, Jumping Pound, Pincher Creek and Lookout Buttes is the primary objective.

An Upper Devonian reservoir similar to the gas zone at the Castle River field is a secondary objective.

In view of the above, the gas reserve potential and the proximity to gas marketing facilities, the permit is attractive.

KAKWA, B.C. - Permit #1877 - N.T.S. 93-I-1, Blocks G, H, I & J.

Yukon Geothermal Co. Ltd. has a 95% interest in a 74,855 acre permit adjoining the British Columbia - Alberta Boundary from Lat. 54°05' to Lat. 54°15'.

The Permit lies on the north plunging Kakwa anticline. Regionally, this feature may be open to the south of the Permit. However, Fitzgerald's interpretation ("Surface Geology of the Kakwa River Area B.C." - E.L. Fitzgerald Private Report October 1969) shows within the Permit a very attractive anticline closed on a fault that is en echelon to the general trend of the Kakwa fault which carries the Kakwa anticline.

In the same report Fitzgerald describes porosities of from 6% - 8% in the Upper 200' of Mississippian Rundle formation at Mt. Harrington immediately west of the Permit.

The above study considerably enhances this prospect, particularly with respect to the Mississippian Rundle formation anticipated at about 6000' - 8000' depth.

There is a possibility of Flume reef development but this is a secondary target because of depth and geology.

The present evaluation rests on Fitzgerald's interpretations and the improving gas market conditions.

MONTNEY, B.C. - Sections 2, 3, 10 & 15-86-18 W6

The Company has a 100% interest in 2,553 acres covering a Permo-Penn Belloy Sand gas play. The acreage is now off the apparent trend but there is evidence that the sand may be present beneath the Company acreage. The trap is stratigraphic although a series of subdued parallel N.W. - S.E. striking folds also control accumulation of gas in the overlying Charlie Lake and Halfway formations. Charlie Lake and Halfway gas wells located on strike in the vicinity indicate that the acreage may lie on one of the anticlinal trends.

The nearby Stoddart field has produced 62.3 BCF to the end of 1969. Marketing facilities are provided by a 6" pipeline two miles south of the acreage. There are excellent opportunities for further acquisition of Crown Reserve acreage.

Yukon is presently attempting to have a well drilled in Sec. 10, Twp. 86, Rge. 18 W6M to 6000 feet.

NARRAWAY, B.C.

Yukon Geothermal Co. Ltd. holds a 40% interest in 29,795 acres of leases located near Lat. 54°25', Long. 120°45'. The leases are situated on a feature known as the Ice Mountain Anticline, a well-defined structure 35 - 40 miles in length.

There is a 9,378' abandoned hole at Window Lake (Lat. 54°24' - Long. 120°44'). It is planned to re-enter and deepen this hole to 13,000' to test the Carboniferous, Mississippian and Upper Devonian.

The primary objective is the Carboniferous, which is reefoid and petroliferous in outcrops to the east of the leases. Thicknesses of the reefoid rock range up to nearly 1300' on Red Deer River.

The Carboniferous reefs are expected to occur in a folded thrust sheet underlying the Wapiti fault at an estimated depth of 10,000 - 10,500 feet.

Consideration is given to the existing bore hole, the access, the solid land situation and the current market situation as well as the geology in the evaluation.

VIRGO, Alberta

Yukon Geothermal here holds a 40% interest in 274 acres of Indian lands in Sec. 8-114-6 W6 on the southwest edge of the Virgo field where oil production is taken from the Middle Devonian, Keg River reef. Some gas reserves have also been found in the Sulphur Point formation.

Productive reef thickness ranges up to 100 feet within the township in which the acreage lies. Oil production varies from 200 - 700 barrels per day.

Arco has just completed a well as an oil producer in Sec. 9, Twp. 114, Rge. 6 W6. Pay thickness is as yet unreported. Reef definition is a seismic problem. The Yukon Geothermal acreage appears to be on the west flank of the reef but without some detailed seismic data, which is not at hand, the occurrence of productive reef is difficult to forecast. The northern portion of the acreage looks promising.

WAINWRIGHT, Alberta

Yukon Geothermal holds a 2.75% interest subject to 10% net profits interest in 2,200 acres in Twp. 44, Rge. 6 W4. The acreage is 2 miles south of the Wainwright oil field which produces 32 gravity oil mainly from the Lower Mannville Group with some production from the Upper Mannville Group. There are small capped gas wells in Twp. 44, Rge. 6 W4. There are also some oil shows.

Yours very truly,

GALLUP EXPLORATION AND SERVICES LTD.

"W.B. Gallup" (SEAL)

W.B. Gallup, P. Geol.

To Accompany Letter Report to Yukon Geothermal Co. Ltd.,
May 26, 1971.

Evaluation of Unproven British Columbia, Alberta, Yukon
Territory & Northwest Territories Properties of

YUKON GEOTHERMAL CO. LTD.

As of May 26, 1971

	<u>Gross Unproven Acres</u>	<u>Company Percent</u>	<u>Net Interest Acres</u>	<u>Value /Acre</u>	<u>Valuation</u>
<u>BRITISH COLUMBIA</u>					
<u>P & NG Leases</u>					
Montney	2,553	100 ⁽¹⁾	2,553	\$ 20.00	\$ 51,060.00
Narraway #5899-5903 incl. & 5963-5969 incl.	29,795	40 ⁽²⁾	11,918	15.00	178,770.00
<u>P & NG Permits</u>					
Flathead North #1879	41,196	45 ⁽¹⁾	18,538	1.00	18,538.00
Fording Mountain #2162	40,985	40 ⁽¹⁾	16,394	1.00	16,394.00
Kakwa #1877	74,855	95 ⁽³⁾	71,111	3.00	213,333.00
<u>ALBERTA</u>					
<u>P & NG Leases</u>					
Drumheller	320	100 ⁽¹⁾	320	1.00	320.00
Virgo	274	40 ⁽¹⁾	110	150.00	16,500.00
Wainwright	2,200	2.75 ⁽¹⁾⁽⁴⁾	61	2.00	122.00
<u>YUKON TERRITORY & NORTHWEST TERRITORIES</u>					
<u>P & NG Permits</u>					
Bell River #6299	48,890	45 ⁽¹⁾	22,000	2.50	55,000.00
Beaver River #6560-6564 incl.	218,500	42.5 ⁽¹⁾	92,863	3.00	278,589.00
Beaver River #5502, 5503, 5505, 5506 & 5637	248,807	45 ⁽¹⁾	111,963	2.00	223,926.00
				NET TOTAL	\$1,052,552.00

(1) Subject to 3% G.O.R.

(2) Subject to 4% G.O.R.

(3) Company has option to buy permit for \$55,000 on or prior to October 2, 1971.

(4) Subject to 10% net profits interest

"W.B. Gallup" (SEAL)

W.B. Gallup, P. Geol.

EXHIBIT "IV"

EVALUATION LETTER DATED MAY 26TH, 1971 TO

YUKON GEOTHERMAL CO. LTD.

FROM

GALLUP EXPLORATION AND SERVICES LTD.
43 Westview Drive S.W.
Calgary 5, Alberta

Re: ALASKA ACREAGE

In Alaska, Yukon Geothermal holds a gross overriding royalty averaging 0.5% in a total of 73,489 acres, most of which lies 6 - 18 miles south of the Prudhoe Bay field.

Since the interest is carried, we consider that in an area of such high working costs it compares to a working interest at a ratio of 5 : 1. This factor is used below in determining the net value of Yukon Geothermal's interest.

The lands are divided into three groups and are evaluated as follows:

GROUP I

Comprises 40,451 acres as described in the Toolik Development contract, a situation which implies activity. This parcel is fairly well grouped, we place a value of \$1,000 per acre on it, with a net value to Yukon Geothermal as follows:

$$40,451 \times \$1,000 \times 0.005 \times 5 = \$1,011,275.00$$

<u>Lease #</u>	<u>Working Interest</u>	<u>Issued</u>	<u>Acres</u>	<u>Location</u>
F 032832	Atl.	8/1/64	2,560	1-7N/14E
F 032837	Mobil	8/1/64	2,560	6-7N/14E
F 032841	Mobil	8/1/64	2,560	2-7N/15E
F 032843	Mobil	8/1/64	2,560	5-7N/15E
F 032849	Atl.	8/1/64	2,471	3-7N/16E
F 032850	Mobil	8/1/64	2,481	4-7N/16E
F 032851	Mobil	8/1/64	2,560	6-7N/16E
F 032890	Mobil	8/1/64	2,439	3-8N/14E
F 032893	Sincl.	8/1/64	2,560	6-8N/14E
F 032896	Atl.	8/1/64	2,461	9-8N/14E
F 032901	Atl.	8/1/64	2,560	5-8N/15E
F 032904	Atl.	8/1/64	2,560	8-8N/15E
F 032905	Atl.	8/1/64	2,560	1-8N/16E
F 032907	Atl.	8/1/64	2,439	3-8N/16E
F 032909	Atl.	8/1/64	2,560	6-8N/16E
F 032910	Atl.	8/1/64	2,560	7-8N/16E

40,451

These leases are on the coastal plain, in the Umiat Basin which also includes the Prudhoe Bay discoveries in the Lower Mesozoic and Paleozoic Lisburne Group.

AMCO got oil shows in a well in 2-8N/15E drilled in 1961. This interesting, but unsuccessful drilling points to the presence of oil, its occurrence in economic quantities here depends largely on structure.

GROUP II

The following acreage which is on the coastal plain and of similar geology to the above regions, but not as well grouped is worth \$100 per acre.

<u>Lease #</u>	<u>Working Interest</u>	<u>Issued</u>	<u>Acres</u>	<u>Location</u>
F 032684	At1.	8/1/64	2,560	2-5N/13E
F 032779	At1.	12/1/64	2,523	9-6N/15E
F 033174	At1.	11/1/64	2,560	7-6N/13E
ADL 25682	Apache	3/ /65	2,560	1-9N/ 9E
			<hr/>	
			10,203	

The net value of Group II to Yukon Geothermal is:

$$10,203 \times \$100 \times 0.005 \times 5 = \$25,507.50$$

GROUP III

The remaining acreage listed below is more scattered but is in the regions of active exploration. It is probably worth \$50.00 per acre.

<u>Lease #</u>	<u>Working Interest</u>	<u>Issued</u>	<u>Acres</u>	<u>Location</u>
F 031162	S.O.	5/1/63	2,560	6-1N/18E
F 031282	S.O.	6/1/63	2,545	4-1N/19E
F 034083	At1.	9/1/63	2,515	4-3S/10E
F 034086	At1.	12/1/64	2,560	7-3S/10E
F 034087	At1.	9/1/64	2,560	8-3S/10E
F 034088	At1.	9/1/64	2,525	9-3S/10E
F 034155	Union	9/1/64	2,560	5-4S/ 9E
F 034451	Mobil	6/1/65	2,560	2-6N/22E
ADL 28389	Texaco	10/1/65	2,450	4-8N/23E
			<hr/>	
			22,835	

The net value of Group III is:

$$22,835 \times \$50 \times .005 \times 5 = \$28,543.75$$

The total net worth of all three groups = \$1,065,326.25

Respectfully submitted,

GALLUP EXPLORATION AND SERVICES LTD.

"W.B. Gallup" (SEAL)

W.B. Gallup

EXHIBIT "V"

EVALUATION LETTER DATED JANUARY 18TH, 1971 TO
YUKON GEOTHERMAL CO. LTD.
FROM

J.C. SPROULE AND ASSOCIATES LTD.
Geological & Engineering Consultants
1009 Fourth Avenue S.W.
Calgary 1, Alberta
Canada
P.O. Box 2525

Re: P & NG Interests of Yukon Geothermal Co. Ltd.
in Tunisia

In response to your request, we have reviewed the P. & N.G. holdings of Yukon Geothermal Co. Ltd. in Tunisia and present herewith our evaluation. The description of properties, and the interests held, have been accepted as shown in the list supplied to us.

In the preparation of this report, we have made no detailed studies of Tunisia or the specific areas involved but have relied mainly on published material and on certain other geological reports that have been made available to us. We believe, however, that our estimates should fall within reasonable limits.

The Company's holdings consist of working interests and carried interests in concessions covering a gross area of 5,764,160 acres. The concessions have not yet been formally issued and we have considered this fact in our evaluation.

At the northern end of Tunisia the Company has a carried interests in a concession in the Gulf of Tunis, and working interests in concessions along the northern and eastern coasts. Essentially all of this acreage is offshore but is mostly in less than 600 feet of water. Very little exploration for oil and gas has been done in this general area. A small gas field southeast of the Gulf of Tunis produces from Lower Cretaceous beds. West of Tunis, oil seeps, associated with diapiric structures in the Central Atlas area, have been reported.

The geological conditions of the offshore areas is unknown, but it is expected that the diapiric structures of the Central Atlas area and major faults of the North-south Axis will be found to be present in parts of the concession area. These features may provide structural traps for oil and gas. The main prospective reservoir zones are expected to be sandstones, ranging in age from Oligocene to Miocene.

In east-central Tunisia the Company has a carried interest in a concession in the Gulf of Gabes area. This concession is partly on land, west of the Gulf of Gabes and on Djerbo Island, and partly off-shore, extending southeastward along the shore of the Gulf of Gabes for about 125 miles.

No commercial production has yet been established in eastern Tunisia but several scattered exploratory wells have encountered shows of gas or oil. The main prospective zones are the Liassic (Lower Jurassic) limestones and dolomites, and the Triassic sandstones and dolomites. Structural traps for oil and gas may be formed by faults similar to those present on the mainland.

In the Bir Tourkia area of southwestern Tunisia the Company has a carried interest in a large concession adjacent to the Algerian Boundary. One well was drilled within the present concession area in 1967 to a total depth of 3,609 metres (11,836 feet) finishing in Cambrian strata. The Upper Cambrian sandstones, which are prolific producing zones in Algeria to the west, were not present in this well, apparently due to pre-Triassic erosion. The "Shaley-Sandy Triassic" zone, which is productive in oil fields to the south of the concession, did not have well developed porosity and permeability at this location.

There appears to be a good possibility that structures may be found within the concession area in which the Upper Cambrian sandstones will be present. If this condition is present there would be a good chance of developing a very large oil field. The variable porosity in the "Shaley-Sandy Triassic" zone suggests the

possibility that stratigraphic traps could be present in the area.

Our evaluation of the Company's holdings in Tunisia is presented below:

	Gross Unproven Acres	Company Net Interest Percent	Interest Acres	Value /Acre	Valuation
<u>Petroleum Concessions</u>					
<u>Net Carried Interests</u>					
Gulf of Tunis	722,000	1	7,220	\$0.50	\$ 3,600
Gulf of Gabes	1,705,000	1	17,050	0.50	8,500
Bir Tourkia	1,047,000	1	10,470	10.00	104,700
<u>Working Interests</u>					
Cap Bon (E. Coast)	1,270,115	10	127,012	0.35	44,500
Bizerte (N. Coast)	1,020,045	10	102,005	0.35	35,700
	<hr/>		<hr/>		<hr/>
	5,764,160		263,757		\$ 197,000

These figures are presented as a value to the Company. To arrive at a fair market value for immediate disposal, it would in our opinion be necessary to apply a discount factor in the order of 40 percent.

This evaluation has been prepared for the exclusive use of Yukon Geothermal Co. Ltd., and shall not be reproduced, distributed or made available to any other company or person without the written consent of J.C. Sproule and Associates Ltd.

Yours very truly,

J.C. SPROULE AND ASSOCIATES LTD.

"J.R. Chilton"

J.R. Chilton, P. Geol.

"C.A.S. Bulmer"

C.A.S. Bulmer, P. Geol.

EXHIBIT "VI"

EVALUATION LETTER DATED JUNE 7, 1971 TO

WESPAC PETROLEUMS LIMITED

FROM

JAMES A. LEWIS ENGINEERING CO. LTD.
Petroleum Reservoir Analysts
500, 736 EIGHTH AVENUE S.W.
Calgary 2, Alberta

Re: Appraisal Summary - Oil Reserves and Prospective Land Holdings
Owned by Wespac Petroleum Limited - June 1, 1971.

In accordance with your request we have appraised the proved oil reserves and estimated the fair market value of prospective land holdings owned by Wespac Petroleum Limited (hereinafter referred to as "the Company"). The effective date of this appraisal is June 1, 1971. A summary of the appraisal follows:

	Net Reserves	Net Value (2)
Proved Oil, Barrels (1)	21,000	\$ 16,000
Land Value		229,000
TOTAL		\$245,000

NOTES: (1) Stock tank barrels equivalent to 42 US gallons or 35 Imperial gallons
(2) Canadian Dollars

The net reserves as used herein mean those oil reserves owned by the company after deduction of all outside working and royalty interests. Individual cash flow projections of the proved oil reserves were not calculated for the company's interests due to the relatively small value of these reserves in relation to the total company worth. The value of these reserves has been determined on a dollars per barrel basis, utilizing economic analysis data from other cash flow forecasts of the subject properties.

The company owns varying interests in 1,374,113 gross acres located in the Arctic Islands, the East Coast of Canada, Northwest Territories-Yukon, Alberta and British Columbia. These lands are held under petroleum and natural gas leases and permits and exploratory permits. The company's total of 176,981 net acres have an estimated fair market value of \$229,000. A detailed listing of the properties appraised, together with a value assigned each acreage block, is presented in Table 1.

The values assigned the various acreage blocks are based on recent trades effected in the respective areas, known geological features, exploratory activity and other pertinent factors such as accessibility of marketing conditions. No effort has been made to establish intrinsic values for these properties from detailed geological analyses. Such values would undoubtedly be highly speculative in most instances where little exploratory work has been done and would require various degrees of adjustment in order to arrive at reasonable estimates of fair market value.

All interest and other factual data utilized in the preparation of this report have been accepted as represented by Wespac Petroleum Limited.

The opportunity to be of service is appreciated and should you have any questions with regard to this report, please do not hesitate to call.

Very truly yours,

JAMES A. LEWIS ENGINEERING CO. LTD.

"J.R. Dundas" (SEAL)

J.R. Dundas, P. Eng.

TABLE 1
SUMMARY OF VALUES
PROSPECTIVE LAND HOLDINGS
June 1, 1971
WESPAC PETROLEUMS LIMITED
Canadian Properties

Area	Type of Holding	Gross Acres	WESPAC	INTEREST	VALUE ASSIGNED	
			Per Cent	Net Acres	Per Acre	Total
ARCTIC ISLANDS						
Ellesmere Island A5374-A5386	Ex. Permit	520,478	5.0	26,024	\$ 2.00	\$ 52,000
NORTHWEST TERRITORIES - YUKON						
Beaver River 6560-6564	Ex. Permit	218,500	10.0	21,850	2.00	43,700
BRITISH COLUMBIA						
Narraway 5899-5903, 5963-5969	P&NG Lease	29,795	5.0	1,490	31.00	46,200
Kakwa 1877	P&NG Permit	74,855	5.0	3,743	1.00	3,700
Flathead North 1879	P&NG Permit	41,196	5.0	2,060	2.00	4,100
Fording Mountain 2162	P&NG Permit	<u>40,985</u>	5.0	<u>2,049</u>	2.00	<u>4,100</u>
TOTAL BRITISH COLUMBIA		186,831		9,342		58,100
ALBERTA						
Wabasca River Twps. 95 & 96, Rges. 9, 10 & 11, W5M	P&NG Lease	49,920	0.5 (1)	250	2.00	1,500
EAST COAST OFFSHORE						
Grand Banks W6389-6390	Ex. Permit	92,987	30.0	27,896	1.00	27,900
Labrador Shelf W6128-6136	Ex. Permit	<u>305,397</u>	30.0	<u>91,619</u>	0.50	<u>45,800</u>
TOTAL EAST COAST OFFSHORE		398,384		119,515		73,700
GRAND TOTAL		1,374,113		176,981		\$229,000

NOTE: (1) A 1.0 percent royalty interest appraised at an equivalent 3.0 percent working interest

CERTIFICATES OF QUALIFICATION

I, James Ryder Chilton, consulting geologist, of 1009 Fourth Avenue, Southwest, Calgary, Alberta, do declare:

1. That I graduated as a Geologist from the University of Alberta with the degree of Bachelor of Science in the year 1940, and studied as a post-graduate student in Petroleum Geology for two years at the University of Oklahoma.
2. That I am a Member of the Engineering Institute of Canada, a Member of the American Association of Petroleum Geologists (Certified Petroleum Geologist - Certificate No. 962), a Member of the Alberta Society of Petroleum Geologists, and that I am a registered Professional Geologist for the Province of Alberta.
3. That I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in our letter reports captioned:

"Evaluation of Certain P & N.G. Permits of Yukon Geothermal Co. Ltd. in the Canadian Arctic Islands (As of December 31st, 1970)", and dated January 11, 1971

"P & N.G. Interests of Yukon Geothermal Co. Ltd. in Tunisia", and dated January 18, 1971,

nor have I any interest, present or expected, in the securities of the Company.

4. The above reports are based on my geological knowledge, and that of my associates, of the areas described therein and upon a consideration of available pertinent data for the area.

"J. R. Chilton"
J. R. Chilton, P. Geol.

1009 Fourth Avenue, S.W.,
Calgary, Alberta,
June 3, 1971

J. C. SPROULE AND ASSOCIATES LTD.

I, Charles Arthur Stuart Bulmer, Consulting Geologist, of 1009 Fourth Avenue Southwest, Calgary, Alberta, do declare:

1. That I graduated from the University of Alberta with the degree of Bachelor of Science in 1955.
2. That I am a Member of the Alberta Society of Petroleum Geologists, a Member of the Association of Professional Engineers of Alberta, a Member of the Canadian Institute of Mining and Metallurgy, and that I am a registered Professional Geologist for the Province of Alberta.
3. That I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in our letter reports captioned:

"Evaluation of Certain P & N. G. Permits of Yukon Geothermal Co. Ltd. in the Canadian Arctic Islands (As of December 31st, 1970)", and dated January 11, 1971,

"P & N. G. Interests of Yukon Geothermal Co. Ltd. in Tunisia", and dated January 18, 1971,

nor have I any interest, present or expected, in the securities of the Company.

4. The above reports are based on my geological knowledge, and that of my associates, of the areas described therein and upon a consideration of other available pertinent data.

"C. A. S. Bulmer"
C. A. S. Bulmer, P. Geol.

1009 Fourth Avenue S.W.,
Calgary 1, Alberta.
June 3, 1971

J. C. SPROULE AND ASSOCIATES LTD.

CERTIFICATES OF QUALIFICATION

I, W. B. Gallup, consulting geologist, of 43 Westview Drive S.W., Calgary, do declare:

1. That I graduated from the University of Saskatchewan with the degree of Bachelor of Science in 1938.
2. I have spent 30 years practising geology. Undergraduate work was mainly in the Canadian Shield. Since then I have been engaged mainly in Petroleum Exploration and evaluations in the Western Canada Sedimentary basin, including the Cordillera and the Mackenzie basin. I have spent at least portions of four field seasons in various parts of the Arctic Islands, with a total of 12 seasons in the Arctic. Experience also includes a considerable amount of field work on the British Columbia coast and on the Gulf of Alaska.
3. That I am a member of the Alberta Society of Petroleum Geologists, the American Association of Petroleum Geologists and the Geological Association of Canada, and that I am a registered Professional Geologist for the Province of Alberta.
4. That I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in my letter reports captioned:

"Alaska Acreage", and dated May 26, 1971,

"Evaluation of Certain Yukon Geothermal Co. Ltd. P & N. G. Properties in Alberta, British Columbia, Yukon Territory and Northwest Territories (as of February 28, 1971)", and dated May 26, 1971,

nor have I any interest, present or expected, in the securities of the Company.
5. The above reports are based on my geological knowledge of the areas described therein, and upon a consideration of other available pertinent data.

"W. B. Gallup" (SEAL)
W. B. Gallup, P. Geol.

43 Westview Drive S.W.,
Calgary 5, Alberta.

GALLUP EXPLORATION AND SERVICES LTD.

This is to certify that James A. Lewis Engineering Co. Ltd., with offices located at 736 Eighth Avenue S.W., Calgary 2, Alberta, Canada, did prepare an appraisal report on the oil reserves and prospective land holdings owned by Wespac Petroleums Limited, as of June 1, 1971.

- (1) James A. Lewis Engineering Co. Ltd. is a corporation of consulting petroleum engineers, engaged primarily in the appraisal and supervision of petroleum and natural gas properties.
- (2) J. R. Dundas, Petroleum Engineer was the person directly responsible for the preparation of this report. Mr. Dundas has in excess of fourteen years experience in petroleum engineering and has been associated with James A. Lewis Engineering Co. Ltd. for approximately ten years. Petroleum property evaluation experience of Mr. Dundas extends throughout the United States of America and Canada. He is an engineering graduate from the University of Saskatchewan, Saskatoon, Saskatchewan. Mr. Dundas is a registered member of the Association of Professional Engineers in the Province of Alberta and is a member of the Society of Petroleum Engineers of CIM and AIME.
- (3) James A. Lewis Engineering Co. Ltd. has no interest, directly or indirectly, nor does it expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Wespac Petroleums Limited.
- (4) The properties studied in this report are located in the Canadian Arctic Islands and East Coast Offshore, Northwest Territories - Yukon, British Columbia and Alberta, Canada.

JAMES A. LEWIS ENGINEERING CO. LTD.

"J. E. Michaud" (SEAL)
J. E. Michaud, P. Eng., President

I, J. R. Dundas, hereby certify that I have no interest, directly or indirectly, nor do I expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Wespac Petroleums Limited.

"J. R. Dundas" (SEAL)
J. R. Dundas, P. Eng.

EXHIBIT "VII"

WESPAC PETROLEUMS LIMITED
AND
YUKON GEOTHERMAL CO. LTD.

PRO-FORMA COMBINED BALANCE SHEET AS AT MARCH 31, 1971

(Unaudited)

The following pro-forma balance sheet combines the balance sheets of Wespac Petroleum Limited and the statement of assets and liabilities of Yukon Geothermal Co. Ltd. as at March 31, 1971 after giving effect to the following:

1. The Yukon statement of assets and liabilities as at March 31, 1971 has been adjusted to include the appraisal of Yukon's interest in its properties (discounted at 20%) and the credit of the resulting difference of \$3,063,432 to appraisal surplus; and to record the removal of \$145,918 representing the donation to The Wolverine Foundation, a charitable organization, of the investment in shares and shares receivable of Wespac.
2. The proposed acquisition by Wespac of all the outstanding shares of Yukon for 2,515,099 "new" common shares of Wespac for \$2,917,515 (after consolidation of Wespac's "old" common shares on a one-for-five basis and the subsequent increase in its authorized capital).
3. The proposed acquisition of certain property interests from partners in exchange for 708,494 (\$821,853) "new" common shares of Wespac and settlement of the partners' debts to Yukon totalling \$51,188.

Assets	Wespac Petroleum Limited	Yukon Geothermal Co. Ltd.	Pro-forma Adjustments Note B	Pro-forma Combined Balance Sheet
CURRENT ASSETS:				
Cash	\$ 640	\$ 9,382	\$ -	\$ 10,022
Term deposits	23,919	130,044	-	153,963
Accounts receivable	3,393	148,643	(b) (51,188)	100,848
Marketable securities	39,760	5,749	-	45,509
Prepaid expenses	64	-	-	64
Total current assets	67,776	293,818		310,406
INVESTMENT IN SHARES AND ADVANCES TO SUBSIDIARY COMPANY -				
- at written down value	1	-	-	1
PROPERTIES AND EQUIPMENT (Note A):				
Petroleum, natural gas and mining interests	226,418	3,829,447	(b) 873,041	4,928,906
Well development	187,343	-	-	187,343
Production equipment	34,194	-	-	34,194
Office furniture and equipment	-	1,273	-	1,273
	447,955	3,830,720	-	5,151,716
Less accumulated depreciation and depletion	232,751	223	-	232,974
Net properties and equipment	215,204	3,830,497	-	4,918,742
REFUNDABLE DRILLING DEPOSIT	4,938	-	-	4,938
TOTAL	\$ 287,919	\$4,124,315		\$5,234,087

Liabilities and Shareholders' Equity	Wespac Petroleums Limited	Yukon Geothermal Co. Ltd.	Pro-forma Adjustments Note B	Pro-forma Combined Balance Sheet
CURRENT LIABILITIES:				
Bank indebtedness	\$ 20,000	\$ 165,000	\$ -	\$ 185,000
Accounts payable and accrued liabilities	17,413	467,660	-	485,073
Notes Payable	<u>23,823</u>	<u>458,780</u>	-	<u>482,603</u>
Total current liabilities	<u>61,236</u>	<u>1,091,440</u>	-	<u>1,152,676</u>
COMMITMENT TO ISSUE SHARES (Note C)				
(500,000 "old" common shares (pro-forma 100,000 "new" common shares))	<u>125,000</u>	<u>-</u>	-	<u>125,000</u>
ADVANCES FROM A SHAREHOLDER	<u>-</u>	<u>115,360</u>	-	<u>115,360</u>
SHAREHOLDERS' EQUITY				
Capital stock:				
Wespac Petroleums Limited:				
Authorized:				
5,000,000 "old" common shares (pro-forma				
8,000,000 "new" common shares)				
Issued and fully paid: (Note C)				
2,600,000 "old" common shares (pro-forma				
3,743,593 "new" common shares)				
1,441,397		(a) 2,917,515 (b) 821,853		5,180,765
Yukon Geothermal Co. Ltd.:				
Authorized:				
50,000 common shares without nominal or par value				
Issued and fully paid:				
12 common shares				
		1 (c) (1)		-
Appraisal surplus	-	3,063,432 (c) (3,063,432)		-
Deficit	<u>(1,339,714)</u>	<u>(145,918)</u> (c) 145,918		<u>(1,339,714)</u>
Net shareholders' equity	101,683	2,917,515		3,841,051
TOTAL	<u>\$ 287,919</u>	<u>\$4,124,315</u>		<u>\$5,234,087</u>

NOTE A - Properties and equipment as at March 31, 1971 are carried at cost on Wespac's balance sheet and for the purpose of this pro-forma combined balance sheet at appraised values discounted at 20% on Yukon's statement of assets and liabilities.

NOTE B - Pro-forma adjustments are as follows:

- (a) To record 2,515,099 "new" shares of Wespac common stock issued on the proposed acquisition of Yukon (after consolidation of Wespac's "old" common shares on a one-for-five basis) for \$2,917,515.
- (b) To record 708,494 "new" shares of Wespac common stock issued at \$821,853 for property interests of partners and settlement of partners' debts to Yukon of \$51,188.
- (c) To eliminate appraisal surplus and deficit and capital stock of Yukon.

NOTE C - After giving effect to the Pro-forma adjustments and the issue of committed shares the new common shares issued total 3,843,593, comprised of the following:

Consolidation of old common shares issued for new common shares	520,000
Pro-forma adjustment per Note B, item (a)	2,515,099
Pro-forma adjustment per Note B, item (b)	708,494
Issue of committed shares	<u>100,000</u>
TOTAL	<u>3,843,593</u>

EXHIBIT "VIII"

SPECIAL BY-LAW NUMBER 71

BE IT ENACTED AND IT IS HEREBY ENACTED AS SPECIAL BY-LAW NO. 71 OF WESPAC PETROLEUMS LIMITED (hereinafter called "the Corporation") as follows:

1. The number of Directors of the Corporation be and the same is hereby increased from five (5) to seven (7) so that the Board of Directors of the Corporation shall hereafter be composed of seven (7);
2. Three (3) Directors shall constitute a quorum at any meeting of the Board of Directors;
3. All prior by-laws, resolutions and proceedings of the Corporation inconsistent herewith are hereby amended, modified and revised in order to give effect to this Special By-Law.

ENACTED this 31st day of May, 1971.

WITNESS the seal of the Corporation.

"FRANK F. GRAY"
President

(SEAL)

"WILLIAM P. McLAWS"
Secretary

EXHIBIT "IX"

SPECIAL BY-LAW NUMBER 72

BE IT ENACTED AND IT IS HEREBY ENACTED AS SPECIAL BY-LAW NO. 72 OF WESPAC PETROLEUMS LIMITED (hereinafter called "the Corporation") as follows:

1. An Executive Committee of the Board of Directors of the Corporation be and the same is hereby established consisting of:

Frank F. Gray
Frederick W. Pooley
John E. Prothro
2. The members of the Executive Committee may, from time to time, fix by Resolution the quorum necessary for meetings of the Executive Committee but until otherwise fixed, two such members shall constitute a quorum;
3. Any member of the Executive Committee may be removed and replaced at any time by the Board of Directors of the Corporation and shall ipso facto cease to be a member of the Executive Committee upon ceasing to be a Director;
4. The Board of Directors of the Corporation hereby delegates to the Executive Committee, and the Executive Committee shall have and exercise all of the powers of the Board of Directors in respect of the affairs of the Corporation, subject to such restrictions as may be imposed upon the Executive Committee from time to time by the Board of Directors;
5. The Executive Committee shall consult with such Officers, Directors, Employees and Advisors of the Corporation as it may see fit, from time to time, and may invite such persons to attend at Meetings of the Executive Committee and assist thereat.
6. All prior by-laws, resolutions and proceedings of the Corporation inconsistent herewith are hereby amended, modified and revised in order to give effect to this Special By-Law.

ENACTED this 31st day of May, 1971.

WITNESS the seal of the Corporation.

"FRANK F. GRAY"
President

(SEAL)

"WILLIAM P. McLAWS"
Secretary

WESPAC PETROLEUMS LIMITED

1971 INCENTIVE STOCK OPTION PLAN

1. PURPOSE.

The purpose of the Plan is to aid the Company and its subsidiaries in retaining and attracting personnel of exceptional ability by enabling key employees and other personnel to purchase a proprietary interest in the Company, thereby stimulating in such individuals an increased desire to render greater service to the Company, which will contribute to its continued growth and success.

2. AMOUNT AND SOURCE OF STOCK.

Except as otherwise permitted or required pursuant to paragraph 7 hereof, the total number of shares of the Company's Common Share Capital, of no par value, which may be sold to optionees under the Plan, shall not exceed 5% of the issued Share Capital of the Corporation from time to time and may, as the Stock Option Committee (the "Committee") shall determine, be either authorized but unissued shares or issued and reacquired shares of Common Stock. If an option expires or terminates for any reason, without having been exercised in full, the unpurchased shares covered thereby shall (unless the Plan shall cease to be in effect) be added to the shares otherwise available for options under the Plan.

3. EFFECTIVE DATE AND TERM OF PLAN.

The Plan as amended shall become effective upon the adoption thereof by the Board of Directors of the Company; provided, however, that unless the Plan as amended is approved by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock of the Company on or prior to December 31, 1971, the Plan as amended and all options granted under the Plan as amended shall terminate in all respects on such date. Options may be granted under the Plan within ten years from July 1, 1971.

4. ADMINISTRATION.

The Plan shall be administered by the Committee consisting of not less than three directors of the Company who shall be appointed by, and serve at the pleasure of, the Board of Directors. The Committee shall have full power to interpret the Plan, and to establish and amend rules and regulations for its administration. The Board of Directors may from time to time appoint members of the Committee in substitution for, or in addition to, members previously appointed, and may fill vacancies, however caused, in the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum. All action of the Committee shall be taken by a majority of its members. Any action may be taken by a written instrument signed by all of the members, and action so taken shall be fully as effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held. The Committee may appoint a secretary, who, although he need not be a member of the Committee, shall keep minutes of its meetings, make such rules and regulations for the conduct of its business as it shall deem advisable, and report its action to the Board of Directors.

5. SELECTION.

From time to time the Committee may, in its sole discretion, determine which of the key employees (including officers and directors who are employees), of the Company or its parents or subsidiaries and, subject to the approval of the Toronto Stock Exchange, other personnel, such as directors, lawyers, engineers and geologists, who are not employed full time but who may have performed services of considerable value to the Company, shall be granted stock options under the Plan, and the number of shares subject to each such option.

6. OPTIONS.

The terms and conditions of each option granted under the Plan shall be set forth in an option which shall be substantially in the form of the Stock Option hereunto annexed, in the case of employee-optionees. The Committee may make such modifications (not inconsistent with the provisions of the Plan) in the provisions of such form of Stock Option as the Committee shall deem advisable, and specifically may modify the provisions of the Stock Option to adapt to persons not employed full time. The Committee may grant options upon different terms and conditions (within said limitations) to the same employee at different times or at one and the same time. The option price of the qualified options granted under the Plan shall not be less than the discounted market value of the Common Stock of the Company on the date the option is granted (hereinafter defined). "Market value", for purposes of pricing options, shall be deemed to be:

- (i) the closing price at which such shares are traded on the Toronto Stock Exchange on the date the option is granted, or the last preceding date such stock was traded on such exchange, subject to such discount as the Committee may determine, not to exceed the maximum discount allowable

by the Regulations or Policy Rulings of the Toronto Stock Exchange from time to time applicable, or,

- (ii) if the Common Stock of the Company is not traded on the Toronto Stock Exchange or any other securities exchange, an amount determined by the Committee, in its discretion.

7. ADJUSTMENTS UPON CHANGES IN STOCK.

In case, while the option remains in force and before exercised in its entirety, the Company shall at any time, or from time to time, do any of the following, namely:

- (a) effect a reclassification of the shares of its Capital Stock or an amendment of its Articles of Incorporation, as amended, of such a character that the shares of such stock shall become, or be exchangeable for, a larger or smaller number of shares of the same or a different class or classes, whether with or without par value or with the same or different rights and privileges, then the number and class of shares of authorized and unissued stock of the Company which Optionee will thereafter be entitled to purchase, subject to the further terms hereof, shall be the number and class of shares which would have been issuable in respect of any unexercised portion of the option had Optionee exercised the same immediately prior to such reclassification or amendment, changed in accordance therewith and/or increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of shares of Capital Stock of the Company resulting from such reclassification or amendment, and the purchase price per share hereunder shall, in case of an increase in the number of shares by reason of such reclassification or amendment, be proportionately reduced and, in the case of a decrease in the number of shares by reason of such reclassification or amendment, be proportionately increased; or
- (b) declare any dividend payable in its Capital Stock, then the number of shares of its Capital Stock which Optionee will thereafter be entitled to purchase in respect of any unexercised portion of the option, subject to the further terms hereof, shall be increased in direct proportion to the increase in the number of outstanding shares of Capital Stock of the Company resulting from such stock dividend, and the purchase price per share hereunder shall be proportionately reduced; or
- (c) be consolidated with or merged into any other corporation (either directly or by means of sale of all or substantially all its property as an entirety), then the stock issuable or deliverable in connection with such consolidation or merger in respect of each share of Capital Stock of the Company (or the equivalent thereof under any reclassification or amendment effective prior thereto) then outstanding shall thereafter, for the purpose of any unexercised portion of the option be deemed to represent one share of Capital Stock of the Company or such equivalent and Optionee shall be entitled to purchase, subject to the further terms hereof, upon the exercise of such unexercised portion of the option, said stock at the same price (or at an equitably reduced price if cash, securities or other property are deliverable in connection with such consolidation or merger) and upon the other terms and conditions herein mentioned.

The judgment of the Board of Directors of the Company with respect to any matter referred to in this paragraph shall be conclusive and binding upon the Optionee.

8. AMENDMENT AND DISCONTINUANCE.

The Board of Directors may suspend or discontinue the Plan and, to the extent permitted by law, alter the Plan, but it may not (i), without the consent of the Optionee, alter or impair any rights or obligations under any option theretofore granted or (ii), without the approval of the Toronto Stock Exchange and/or any other securities exchange on which the Common Stock of the Company is traded, and the approval from the Company's Shareholders given at a meeting thereof, make any alteration in the Plan, except as contemplated in paragraphs 2 and 7 hereof, which operates:

- (a) To increase the total number of shares which may be issued under the Plan;
- (b) To extend the term during which options may be granted under the Plan;
- (c) To permit the exercise of an option after the date on which such option would otherwise terminate pursuant to the terms hereof; or
- (d) To change the provisions of the Plan regarding the basis for determination of the option price per share.

EXHIBIT "XI"

SUMMARY OF OIL AND GAS INTERESTS

		Gross Acres	Yukon Interest %	Partners' Interest %	Wespac Interest %	Total Interest %
<u>Arctic Islands</u>						
Axel Heiberg	A4672-78, A4694-98	457,422	67.78	-	-	67.78
Axel Heiberg	A4699-4708, A4727-34 A4736	852,107	50.00	-	-	50.00
Axel Heiberg	A4759-62, A4845-47	302,246	34.80	45.20	-	80.00
Penny Strait	A4735	61,021	60.00	-	-	60.00
Nansen Sound	A 4848-50	108,366	42.70	47.30	-	90.00
Russell Island	A5111-12	105,491	25.00	-	-	25.00
Devon Island	A5113-17	302,929	25.00	-	-	25.00
Ellesmere Island	A5132-56	954,151	45.00	-	-	45.00
Ellesmere Island	A5374-86	520,478	28.30	33.70	5.00	67.00
<u>Yukon & N.W.T.</u>						
Bell River	#6299	48,890	45.00	45.00	-	90.00
Beaver River	#5502, 5503, 5505, 5506, 5637	248,807	45.00	45.00	-	90.00
Beaver River	#6560-64	218,500	42.50	50.00	5.00	97.50
<u>British Columbia</u>						
Flathead	#1879	41,196	45.00	-	5.00	50.00
Fording Mountain	#2162	40,985	40.00	10.00	5.00	55.00
Kakwa River	#1877	74,855	95.00	-	5.00	100.00
Montney		2,553	100.00	-	-	100.00
Narraway	#5899-5963, 5963-69	29,795	40.00	-	5.00	45.00
<u>Alberta</u>						
Drumheller		320	100.00	-	-	100.00
Virgo		274	40.00	-	-	40.00
Wainwright		2,200	1.375	-	-	1.375
<u>Offshore - Eastern Canada</u>						
		398,384	-	-	30.00	30.00
<u>Tunisia</u>						
		3,474,000	1.00 ⁽¹⁾	-	-	1.00 ⁽¹⁾
<u>Tunisia</u>						
		2,290,160	10.00	-	-	10.00
<u>Alaska</u> ⁽³⁾						
		73,489	0.50 ⁽²⁾	-	-	0.50 ⁽²⁾

(1) Net carried interest until expenditures of \$5,100,000.

(2) Gross overriding royalty.

(3) Yukon's Alaskan interests are held by its wholly owned Alaskan subsidiary, Alaska Geothermal Oil Co. Inc.

(4) All Working Interests are subject to 3% G.O.R. with the exception of Narraway (4%) and Ellesmere Island Permits A5374-86 (3.5%).

EXHIBIT "XII"

